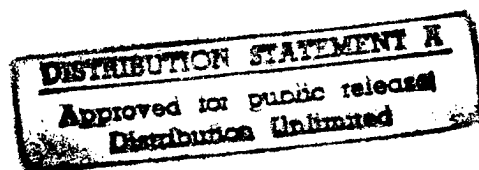




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# ***JPRS Report***



## **Soviet Union**

### ***Economic Affairs***

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## SPECIAL NOTICE

Effective 1 June 1987 JPRS reports will have a new cover design and color, and some reports will have a different title and format. Some of the color changes may be implemented earlier if existing supplies of stock are depleted.

The new cover colors will be as follows:

CHINA.....	aqua
EAST EUROPE.....	gold
SOVIET UNION.....	salmon
EAST ASIA.....	yellow
NEAR EAST & SOUTH ASIA...	blue
LATIN AMERICA.....	pink
WEST EUROPE.....	ivory
AFRICA (SUB-SAHARA).....	tan
SCIENCE & TECHNOLOGY.....	gray
WORLDWIDES.....	pewter

The changes that are of interest to readers of this report are as follows:

USSR reports will become SOVIET UNION reports.

The USSR REPORT: NATIONAL ECONOMY will be titled SOVIET UNION/ECONOMIC AFFAIRS (UEA).

The USSR REPORT: POLITICAL AND SOCIOLOGICAL AFFAIRS will be titled SOVIET UNION/POLITICAL AFFAIRS (UPA).

The following Soviet journals will be added to those which are already issued in separate series:

EKO: ECONOMICS & ORGANIZATION OF INDUSTRIAL PRODUCTION (UEO)  
THE WORKING CLASS & THE CONTEMPORARY WORLD (UWC)  
PEOPLES OF ASIA & AFRICA (UAA)  
MILITARY HISTORY JOURNAL (UMJ)  
FOREIGN MILITARY REVIEW (UFM)  
AVIATION & COSMONAUTICS (UAC)  
SOCIOLOGICAL STUDIES (USS)

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GOSPLAN ASSOCIATE INTERVIEWED ON NEW STATE ENTERPRISE LAW

Moscow NEDELYA in Russian No 11, 16-22 Mar 87 pp 6-7

[Interview with Prof Vyacheslav Konstantinovich Senchagov, doctor of economic sciences and member of the USSR Gosplan, by special NEDELYA correspondent Aleksandr Yevseyev; date and place not specified; first two paragraphs are NEDELYA introduction]

[Text] Time will show the full importance of that revolutionary step and those profound reforms that our economy (more accurately, our life) will accomplish thanks to the new Law on State Enterprises. In reading the draft of the law, you see that it has absorbed not only the ideas of Soviet economic science and the experience of socialist countries but the experience of our entire nation, our hopes, and our faith in the dynamism as well as in the great, as yet undiscovered strengths of the socialist economy. Its lines contain a charge of acceleration, for which it is called upon to provide a solid economic and legal foundation.

It is a good law and a necessary law. This is the sense of the first responses to its emergence, although there is much in the draft, of course, that the country is now finding out about that is in need of further work and refinement. It has one characteristic that is obvious even in the first reading and that is its innovative spirit: there is something new in each article of the law. I was even about to suggest to my interlocutor that we change our dialogue into a monologue, after limiting our conversation to just one question: what does the Law on State Enterprises give to our life that is new?

[Answer] In answering that question, I would, in essence, have to deal with all of the positions of the new law, because there is something new in each of them. But then we would not be able to determine precisely its place in that integral system for managing the economy that is being established in the country in accordance with the decisions of the 27th CPSU Congress. And the new law is a cornerstone of this system. Well then, it is clearly necessary to explain what brought about this act...so that, alas, there can be no monologue. Ask your questions.

[Question] Fine. But you already formulated the question: why was the Law on Enterprises needed? From what did it stem?

[Answer] A whole lot of reasons. Let us start with the one that lies at the surface: today the life of any state enterprise is regulated by the Statute on Enterprises, which has been in effect since 1966. But there have been profound changes in the country's economy and in its social life during these two decades. National income, a most important indicator of the level of our economic development, increased by a factor of 2.4. Fixed production capital increased by a factor of 4.4 and its value is expressed by the figure of 1.5 trillion rubles. A huge sum! But it could be even larger if our production were more efficient, met the current possibilities of scientific-technical progress, and more fully utilized new methods of management. Unfortunately, our production relations long lagged behind the new demands in the development of productive forces. Because of the incomplete utilization of its scientific-production potential, the country failed to receive billions of rubles in national income.

[Question] What hindered and, as I understand, still hinders the attaining of that very high efficiency of labor that must be inherent in the socialist economy?

[Answer] This is explained above all by the obsolete understanding of the nature and forms of the realization of socialist property, under which it is as if it were separated from the working person; all of the most important questions in its utilization were formerly decided in the upper floors of administration. As a result, it became no one's, as it were, deprived of a real owner. To whom does this plant belong, who is its owner? The state? Yes, of course, but this is too general, almost abstract. Perhaps the director is its proprietor? Certainly not. The director merely answers for the course of production. Does the plant belong to the ministry? Forgive me, but the values created at this enterprise are not, as you know, produced by the hands of ministry employees. The ministry, in a manner of speaking, only has custody over it. The situation that developed in the economy was characterized by duality: inasmuch as it belongs to all, then it would seem that it must belong to each. In reality, however, this thesis is valid only purely theoretically, whereas in practice what is needed is a special mechanism that would link the interests of the individual with the interests of the entire national economy and society as a whole. I conditionally call this problem the "personification of socialist property."

The true owner of the enterprise must be the one who works there, the working person and the labor collective endowed with the entire set of rights and, indeed, obligations, because there cannot be one without the other.

At the same time, and this is a very important circumstance, the conditions were ripe for this long ago. We ourselves have changed and the nature of our work has changed. It has become more substantial, more "intelligent," and the share of heavy physical labor is continuously declining, albeit not as quickly as one would like. We have become better educated and we understand better the social importance of our own vital position. And we naturally are uniquely repelled by extremely bureaucratic methods of administration. People no longer want to be "screws" in a complex economic machine, for they themselves can take an active part in the management of the enterprise.

Thus, the democratization of the system for managing the economy is becoming one of the main forms of resolving the contradiction between the possibilities of productive forces--and we already noted that we have not made full use of them--and the existing forms of management.

[Question] Yes, but democracy, as you know, presupposes not only rights but responsibility....

[Answer] Well, the labor collective and all of its members bear responsibility for how they use the socialist property entrusted to them. This responsibility, by the way, is being consolidated by an entire system of categories that the draft law introduces for the first time. Here, for example, is one: the labor collective must answer for the use of property through its own cost accounting [khozraschet] income.

[Question] Cost accounting income--is this something new?

[Answer] Yes, it is a new economic category reflecting the sovereign and independent position of the enterprise and designating that part of income received by the enterprise that it must pay out to the working people in remuneration for their labor and utilize for the needs of the production and social development of the collective--for reconstruction and expansion of production, technical reequipment, the construction of housing, kindergartens, recreation centers, and so on.

[Question] So this is the financial and material base that permits the enterprise to be independent?

[Answer] Quite right. That is precisely the meaning of this economic category. I think that today we are not even in a position to imagine the tremendous importance that this will have for the development of our society, its economy and the entire practice of management.

[Question] In that case, explain cost accounting income in more detail. Everyone understands what cost accounting is. But here is yet another "income." What is the meaning of all of this?

[Answer] Cost accounting loses its meaning without this category. Its entire essence is in the fact that we are establishing a cost accounting income, that is, enterprise income "for itself." What is the sense of working under cost accounting if you do not have the right to dispose of the money earned? Here as well, of course, there are certain contradictions between the interests of the state and the interests of the individual enterprise; we see them well and know the forms of resolving these contradictions. The state strives to maximize its own budget, whereas the enterprise is interested in increasing income for itself. But as you know, the very nature of planning is now changing, both at the level of the national economy and at the enterprise level. It will now be realized in such a manner that the enterprise will strive to increase its own cost accounting income, consequently increasing our overall national income as well.



[Question] But is this advantageous to the state and to you and me?

[Answer] It is. Catch this nuance: it is one thing simply to increase the production of some item--let us say that you have been given the target of sharply increasing the production of pistons or synthetic fibers and you fulfill it, thereby bringing in material resources in any quantity, even if clearly excessive, and without paying attention either to quality or to how the production funds of the enterprise are being utilized. And it is quite another matter if they give you the task not merely of increasing the volume of production and not simply of improving quality and of renewing the assortment but of doing all of this so that the total sum of cost accounting income of the labor collective increases. At the enterprise level, then, there is now, as we say, an "initial cell" for planning and all of management, that "cell" that contains tangible advantages and those benefits for all members of the collective that must become benefits for each person if, of course, each person works well.

That is, as you see, the new category united in one bundle the interests of the state, the labor collective, and the individual.

[Question] But what is the advantage of this approach to cost accounting for the state?

[Answer] The enterprise does not earn income "for itself" if it does not pay off the suppliers of raw and other materials and if it does not allocate a part of the income to the budget, a part that is strictly fixed in accordance with standards or taxes. Obligations to suppliers, consumers and the state are fulfilled first and self-financing, including remuneration of labor, comes second, as it were, after the fulfillment of the indicated obligations. Such a system for the distribution of the enterprise receipts from output sold and from work and services will guarantee the priority of overall national interests and, at the same time, will establish a reliable financial and material base for the steady and dynamic development of the enterprise.

[Question] Tell us why we have been so late in granting independence to enterprises?

[Answer] There were, of course, objective reasons for this but to a considerable extent it was dictated by subjective factors. Many, including scientists and practical people, were accustomed to thinking in categories that were formed during the period of the first decades and sincerely thought (and some, it seems, continue to think today) that the best means of management under socialism is strict centralization and the planning "from above" of the entire products list and of all other indicators. In their opinion, the enterprise must be a mere executor of the will, directives and instructions of the central apparatus....

[Question] But Vyacheslav Konstantinovich, was this approach not justified in the 1930's and especially, of course, during the war? What would we have done without such strict centralization?

[Answer] Yes, such an approach was justified both in the first decades, especially during the war, as well as in the initial period of postwar construction. But then there were not only the pluses relating to the high degree of concentration of resources for the establishment of a powerful production potential but there were also minuses in that approach, including the weakening of cost accounting and the weak incentive to make efficient use of production resources. Today, however, we are on the threshold of the 21st century. It is a new time. The standards of our time and the possibilities of scientific-technical progress are different, people are putting higher demands on the economy, and the science of management is developing.

[Question] But who or what, in holding on to those same principles of "strict centralism," is preventing the equipping of the entire country with powerful computers, the derivation of the appropriate mathematical formulas, and the preparation of the corresponding computer programs so that the old mistakes and miscalculations in planning are not repeated and are returning to--I do not even know how to say it, you cannot call it old, for it still exists--that same model?

[Answer] Naturally, one must not discount such a factor in the acceleration of economic development as the computerization of the national economy and the management sphere. But computers must rely on a reliable economic and information base, a smoothly running system of prices and other value and financial instruments, and a system for analyzing the effectiveness of the development of the national economy.

Without resolving these problems, it is impossible to ensure balanced plans and well-founded structural changes in the economy and to make scientific-technical progress the core of plans and economic decisions.

[Question] And now, Vyacheslav Konstantinovich, let us try to return to the question that I wanted to ask at the outset....

[Answer] What does the Law on State Enterprises bring to our life that is new? But I already started to answer it when I mentioned the category of cost accounting income. By the way, one of the main features of the law requiring, to be sure, a certain amount of polishing, as we say--I have in mind its discussion in the collectives--is the giving of an integral character to the work of the enterprise on the basis of its cost accounting income....

[Question] That is not very clear. Can you not make it a little simpler?

[Answer] I can. All the more so because it is a matter of simple matters, of the fact that the new law provides for an expansion of the independence of the enterprise and that this independence is supported by the corresponding economic instruments for its implementation.

All have long since understood that today production can and must exist only under the conditions of true democratic centralism. But understanding this, we nevertheless stubbornly developed those aspects in this Leninist formula that were linked primarily with centralism, restricting the second part of the formula, which presupposes a certain amount of independence of the enterprise.

And so far we have not been able to find an optimum economically expedient combination. The January CPSU Central Committee Plenum, which, as you know, put into sharp focus the problem of the democratization of the entire life of our society, also directed its attention especially to the necessity of developing democracy in the area of production. Today the independence of the enterprise is viewed not only in the purely production aspect but also as a political category and as one of the forms of the democratic spirit. In essence, the enterprise becomes an integral self-governing organism. At the same time, a new approach has also been worked out to the principle of self-administration, which presupposes, in the first place, the participation of the labor collective in the development of decisions and control over their implementation. In the second place, the election of the production managers. And thirdly, one-man management. And, what is very important, whereas previously we understood the very term "self-government on its global scale as, so to speak, the self-government of the people, today it is attaining an exceptionally specific nature--we are talking about the self-administration of brigades, shops, sections and of the entire enterprise as a whole.

Still another important nuance: there is a prevailing point of view in accordance with which one-man management is always contrasted with democracy and self-government. But when the manager is elected as provided for in the new law, the functions of the manager change significantly. He is now a representative not only of the state, inasmuch as he manages a state enterprise, but simultaneously of a labor collective, because he is elected to this post rather than being appointed. This is a very significant detail that one should not forget. In this way, he has a double responsibility: to the labor collective and to the state.

We have revealed several innovative elements of the new law. These, of course, are not all the innovations. There are others no less significant. There is, let us say, the new approach to planning. The very system of planning is changing significantly. Centralized planning is moving from detailing and from a large number of indicators that are generally allocated from above to a system of state orders, long-term economic standards, centrally determined limits of physical resources.... Just enough of these centralized means of control are established to ensure the proportional and accelerated development of the national economy as a whole. The state order is paramount for the enterprise. At the same time, the enterprise received the possibility of independently collecting its own backlog of orders, addressing itself directly to the consumer. The law also formulates the basic task of the enterprise in a new way: the satisfaction of the needs of the national economy and the demand of the population.

[Question] Is that not the way it is today, are the enterprises not satisfying our needs?

[Answer] Yes, the enterprises are producing output for us but it not they who bear responsibility to the state but the ministries. At first glance, it would seem that it should be that way but the ministry is an administrative apparatus and not a production cell. And who, if not the producers themselves, should answer for their work. This is a new role of the enterprise and is secured by the new law.

In addition, you did not pay attention to the words "and the demand of the population" and this is a significant detail. For previously we limited ourselves merely to satisfying needs, whereas today we are also obliged to satisfy the effective demand of the population. Accordingly, this presupposes that the enterprise will be obligated to give serious study to this demand, including to advertizing and to providing for guaranteed repairs and services and so on throughout the social groups of the population.

Again, this is still far from all that is new in the law: there is a sharp increase in the importance of commodity-money relationships in the management system. For the first time, the socialist enterprise is seen as a commodity producer that must simultaneously increase the production of output in physical terms, save resources, reduce production costs and increase profit and cost accounting income.

[Question] Strangely, what is new here? Previously as well, the enterprise was obligated to "increase," "provide for" and "reduce"....

[Answer] There is something new. As I said, we were reducing the role of commodity-money relationships, increasing the role of natural indicators. I will explain what this led to in practice by making use of an extremely everyday example: you go to a dining room with 1 ruble in your pocket. And on the menu, of course, are dishes of different prices. You yourself, in accordance with your own material possibilities, that is, with this ruble in your pocket, decide what to buy for the first, second and third courses. And what if you have 50 kopecks? You will choose entirely different dishes at a lower use value, as the economists say.

So today, with the transition to full cost accounting and self-financing, we want to put the enterprise in the position of the individual who, earning a sum "n," must "choose the dishes" for the midday meal himself.

In the language of production, to be sure, this sounds different: if you make a decision on what output to produce or if you undertake to fulfill a state order, look at what means you have, how much money you must spend on production and, in the final analysis, what will be your cost accounting income.

[Question] Do you mean to say that today an enterprise makes these decisions on the basis of what the ministry "tosses" it?

[Answer] That is about right. Whereby it does not, of course, choose its own output at all. It is, in a manner of speaking, "sent down" to it. For a long time, this was the firm postulate of socialist political economy and planning: a "menu" previously prepared, as a rule, and the enterprise was forced to "eat" it not in accordance with its own income but in accordance to what the ministry allocated to it. That is, a situation develops under which the enterprise cannot always realize its earned resources. It would like to purchase the latest electronically equipped machine tools and robots that will help it to resolve acute production problems but here it comes to light that all resources are already allocated by shelves, including those production

items that did not earn the means for their development. And it turns out that some cannot translate the money earned into commodities that they need, whereas these commodities are distributed to others without them having to earn anything. But tell me, who will want to earn if he cannot spend his money on what he needs?

The ignoring of the demands of the economic laws and in particular the law of value leads to greater imbalance in supply and demand. There turns out to be more of some commodities in the market than there is a demand for them and others are in constant short supply.

It is also very important, of course, to change the system of material and technical supply. If one judges by the draft of the law, the essence of the changes amounts to making wholesale trade the basic form of the material and technical supplying of enterprises. Why is that? Because full cost accounting and self-financing are impossible without wholesale trade. For the limit on resources itself does not permit enterprises with higher cost accounting income to realize this advantage of theirs: all are strictly rationed by suppliers.

The draft of the law also resolves the question of contemporary forms of socialist competition fundamentally and in a new way. I personally think that the weakest link in our system of management is the absence of vigorous economic competition that would push the enterprise toward continuous improvement of its production and would put it in conditions under which it must achieve a fuller satisfaction of needs and its own economic advantage in comparison with other enterprises. Today most production systems are in a monopolistic position. They impose their will on the consumer and deprive him of the right to choose the output that he needs. Despite the strictness of state control over prices, they dictate higher prices, inasmuch as under the monopoly position individual expenditures appear as socially necessary expenditures. Today's relationships between enterprises virtually negate rivalry in the drive for the consumer. Of course, one can ask: What would we like to see? Business competition? Or do we still think that socialism is incompatible with business competition? I think that our current approach to this question must open up new possibilities for the socialist enterprise. For it is not isolated but operates in a single national economic complex and in one way or another compares its own work with other producers. Unfortunately, however, this comparison is primarily analytical in nature and at best has an impact only on the results of socialist competition. One must see to it that the enterprise, in better satisfying the needs of the consumer, receives a correspondingly larger cost accounting income.

[Question] And what conclusion must be drawn from everything that has been said?

[Answer] I think that one cannot seriously speak of activating commodity-money relationships while denying the principle of socialist competition in the work of our enterprises. All the more so when they must now be oriented to the satisfaction of demand not only in the domestic market but in the foreign market as well.

[Question] And if I now ask you to sketch the model of the enterprise as it appears to you?

[Answer] I can fulfill your request only very approximately, if only because it is, of course, closely linked with the ministry and with the work of various functional agencies--Gosplan and Gossnab, let us say--and its model is closely linked with the model for the functioning of the economy as a whole. And it has not yet been completely developed. As things now stand, however, the idea appears as follows: the enterprise receives orders from the state, orders that have primary importance for it and without fail are included in its plan. To fulfill these orders, contracts are entered into with suppliers. The enterprise also independently outlines a complex of measures for technical reequipment and reconstruction and carries out all measures necessary to fulfill the state order. State orders do not load up all capacities and the share of "free" capacities can fluctuate significantly depending upon the specific nature of the sectors. In the sectors of the fuel and energy complex, let us say, the overwhelming part of the enterprise capacity goes for state orders, whereas in the light and food industries and the domestic services sectors a large part of the capacity will, of course, be loaded by direct orders of consumers.

Naturally, in independently establishing plans, the enterprise takes into account not only state orders but also the economic standards established for it, thereby determining the necessary sum of cost accounting income and proceeding from the necessity of ensuring expanded reproduction, increasing the wages of its own employees, and resolving the different social tasks facing the collective.

[Question] I think that it would be interesting to know how the work relating to the preparation of the new law went. As far as I know, you took part in it.

[Answer] First of all, let us note that a team of specialists and scientists worked on the draft of the law and the work was completed in a rather short time, less than a year and a half. Customarily enforceable enactments on such a scale are a very long time in preparation. But restructuring [perestroyka] required a substantial acceleration of the entire preparation of the new act and a different system for its organization. The preparation of the draft law was entrusted to the Commission on the Improvement of Planning and the Entire Economic Mechanism headed by USSR Gosplan Chairman Nikolay Vladimirovich Talyzin. The commission established a working group and it set about to develop a new act. The first version was written. After discussion, it was decided to rework it. They worked on a second version. Then there was a third, fourth and fifth. Altogether several dozen variants of this law were prepared. All of them were widely discussed and representatives of various ministries and departments and of the AUCCTU took part in the discussions. Legal specialists in particular were involved. And a number of our leading scientists participated in the work. When the draft was prepared, they invited the directors of many major enterprises and acquainted them with it.

[Question] It would be interesting to know what the enterprise managers had to say in this discussion.

[Answer] Their main concern was how this law will be implemented in practice. They unanimously view it as a form of restricting the interests of the enterprises and the main thing is that they would like for it to have the corresponding dependable legal protection. More simply, for it to be dependable in protecting the enterprise against the interference of higher authorities and against their performing functions that the law does not provide for but to which they have been accustomed. And it is very painful for them to give them up. This is perhaps the main thing in the desires of the managers.

By the way, they put forward a number of proposals on the improvement of the law and all proposals were examined and analyzed carefully. It is significant that managers of the highest echelons of our economy--ministers, responsible staff employees of the USSR Council of Ministers, and party workers--took part in the formulation of the new law. All participants in the preparation of the law worked without regard to time: Saturdays and Sundays were also working days.

[Question] There is extensive discussion of the draft law in the press. You are, of course, interested in what kind of discussions it is evoking in the public?

[Answer] This is above all a complex political document. It requires profound and comprehensive discussion and explanation. The discussion is now gaining strength and is becoming more and more acute and oriented to problem solving. I can say that our institute is preparing an All-Union Seminar, in which there will be a discussion of the main ideas of the draft law.

I personally am especially interested in critical comments and addenda....

[Question] Do they coincide with your current opinion?

[Answer] It varies, of course. But there are some that must, in my view, be considered in the final wording of the law. I like the direction that was given to the discussion of the new law: not to cover up different, even polar, points of view on its ideas. The main thing is that all participants in the discussion are, in my opinion, unanimous in that the Law on State Enterprises is necessary and timely.

[Question] As I understand it, much of what went into the law was examined in the course of the latest economic experiments....

[Answer] Yes, certainly. But the law went beyond experiments. Naturally, it is not in a position to cover everything that is new and that is taking place today in the process of the restructuring of the economic mechanism. It affects only the state enterprise. And, as you know, our economic system also includes other types of enterprises--cooperatives, for example. Here major changes are also taking place that are aimed at raising the role of cooperatives in the satisfaction of the needs of the population. If this form of socialist production will continue to develop, of course, in time cooperative enterprises will give a certain amount of competition to state

enterprises and will stimulate them to improve their own work, which, I am convinced, will only benefit all of us. Nor does the new law affect the work of kolkhozes. It is supposed that all questions having to do with the economic activities of kolkhozes will be reflected in the new charter of the kolkhozes. At the same time, as you know, work is being done to specify the functions of the ministries and central control agencies, including Gosplan, Gossnab, the State Committee for Labor and Social Problems, the USSR Ministry of Finance and other authorities.

[Question] It is well known that reforms in the planning and management of the national economy have repeatedly been begun in the country. And every time these reforms have gone into a skid and not produced especially noticeable results. Will that not be the case this time as well?

[Answer] This is a very serious question that is often raised by many in our country as well as by our friends abroad. The main reasons for all these "skids," as you said, was that the reforms did not take into account and did not effect the entire economic mechanism and did not tie in with reforms in the political area and with the corresponding personnel work. The second serious reason is the slow adaptation of the management system to the new conditions and tasks in the development of socialist society. We simply did not have the political resolve to carry out reforms consistently. Today, after the April CPSU Central Committee Plenum, after the 27th CPSU Congress and after its January plenum, there is an understanding of the necessity of restructuring the economic mechanism comprehensively and there is the resolve to carry it out in inseparable unity with the renewal of the spiritual, social and political sides of the life of our society.

The country is undergoing restructuring. Our entire life is being restructured. And the entire economic mechanism is being restructured.

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## REALIGNMENT OF MANAGEMENT FUNCTIONS, KEY TO REFORM

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[Article by Candidate of Economic Sciences A. Bim: "The Functions and Structure of the Management of the National Economy"; material in all capital letters is in boldface type in original]

[Text] The 27th CPSU Congress posed the task of implementing radical reform in the management mechanism and creating on that basis an integral, efficient and flexible system of management that permits the fuller realization of the capabilities of socialism. (Footnote 1) (See: Materials of the 27th Congress of the Communist Party of the Soviet Union. Moscow: Politizdat Publishing House, 1986. p 33.) The purposeful conduct of reform is an important condition for the realization of the party's strategic policy of accelerating the socio-economic development of the country.

ONE OF ITS KEY ISSUES IS IMPROVING THE DISTRIBUTION OF FUNCTIONS, RIGHTS AND RESPONSIBILITY AMONG VARIOUS LEVELS AND ECHELONS OF MANAGEMENT IN THE NATIONAL ECONOMY.

Practice shows that the congealed management structure is a serious obstacle on the path of development of its principles and methods. It transforms new measures (or proposals for them) apropos of extant work methods of administrative levels and in that manner limits or even reduces to naught their innovativeness and progressive thrust. A restructuring of the management structure is therefore essential for the accomplishment of radical reform, and is one of its basic components.

A distinguishing feature of the current stage of improvement of the management structure and the style and methods of planning and other economic organs, associations and enterprises is the comprehensive nature of the transformations. The main thing therein is to ensure their purposefulness and the assimilation of new functions and methods of work by management organs that correspond to the qualitative distinctiveness of the specific modern stage of history.

THE MOST IMPORTANT TASK IN IMPROVING MANAGEMENT IS RAISING THE EFFECTIVENESS OF CENTRALIZED MANAGEMENT OF THE ECONOMY AND STRENGTHENING THE ROLE OF THE CENTER IN ACCOMPLISHING THE PRINCIPAL GOALS OF ECONOMIC STRATEGY. A

strengthening of centralism assumes ensuring the scientific well-foundedness of the goals of socio-economic development and the coordinated activity of all levels of the management system in their realization. The restructuring of the management structure should be aimed at resolving these tasks.

Along with a strengthening of centralism, as emphasized in the Political Report of the CPSU Central Committee to the 27th Congress, IT IS ESSENTIAL TO EXPAND DECISIVELY THE BOUNDARIES OF THE ECONOMIC INDEPENDENCE OF THE BASIC LINK IN THE ECONOMY--THE PRODUCTION ASSOCIATIONS AND ENTERPRISES. The experience of the experiments of 1984-1985 is convincing that an expansion of the independence of the primary level is possible with the comprehensive redistribution of functions, rights and responsibility among all levels of management and operational administration. Otherwise the rights of associations and enterprises cannot really be expanded. It is namely here that the link between improving the management structure and the overall task of reforming economic management--expanding the independence and initiative of the primary level--can be discerned.

The Political Report of the CPSU Central Committee to the party congress emphasized that "success will depend largely on a RESTRUCTURING OF THE ACTIVITY OF THE CENTRAL ECONOMIC ORGANS, AND FIRST AND FOREMOST USSR GOSPLAN." (Footnote 2) (Materials of the 27th Congress of the Communist Party of the Soviet Union. p 34.) This proposal should be considered one of the basic principles for improving the organizational structure of management: it reflects the subordination of the makeup and functioning of the operational economic organs to the extant methods of developing and approving plans for product output and resource distribution. Planning and the distribution of resources is the economic and socio-political substance of the management process. The functions and authority of the management ranks is a form of realization of planning principles. In this sense, the improvement of planning is an essential precondition for improving the activity of operational economic organs.

Steps to raise the role of USSR Gosplan have been defined by party and state resolutions. They are its liberation from current economic issues and concentration on long-term planning, ensuring the proportional and balanced development of the economy and the conduct of structural policy. The practice of developing vertical "center--sector--enterprise" plans at all levels for roughly one and the same ranges of allotments and indicators should be reconsidered therein. EVERY LEVEL SHOULD FORMULATE PLAN TARGETS FOR THE LOWER LEVELS IN A FORM THAT CORRESPONDS TO THE SPECIFIC NATURE OF THE TASKS BEING RESOLVED BY THAT LEVEL.

Management practice does not yet include the "interlocking" of operational economic decisions for a considerable number of management echelons. As a result, the activity of departments and ministries transpires within the framework of mutual agreements and understandings, which greatly slows the adoption of topical decisions and in many cases hinders the effective renewal of the operational economic mechanism. And this is natural: the more participants there are in the process of developing and making decisions, the more conditions there are for adapting their substance to the extant forms and methods of operation.

It is therefore ESSENTIAL TO ELIMINATE DUPLICATION, OVERLAP AND VAGUENESS IN THE FUNCTIONS OF MANAGEMENT ORGANS. Consequently, elaborations are required, and in a number of cases, a review of standard documents (ministry and department statutes) that currently do not sufficiently regulate the functions, rights and responsibility of the levels of the management structure. It is further essential to guarantee in reality (in the legal and resource senses) independence in the exercise of the functions and rights delegated to each management organ regardless of its level. It should be emphasized that the independence of departments, being a serious condition for direct responsibility, is an important precondition for raising the initiative, activeness and efficacy of apparatus operations.

#### The Formation of National-Economic Complexes -- An Objective General Law of the Collectivization of Production

The process of the collectivization of socialist production, the complication of interconnections and the strengthening of the dependence among all of its elements is advancing new requirements for the organization of production and management under modern conditions.

The differentiation of sectors led to unjustified isolation, and in a number of cases to the severing of the natural scientific-and-technical and organizational economic links among enterprises (associations) in the achievement of the common ultimate result of their activity. The undeveloped nature of direct economic relations among enterprises and the negative effect of departmental interests has facilitated this type of phenomenon.

In this regard, the 27th CPSU Congress defined one of the fundamental directions for improving the management structure as THE CREATION OF COMPLEXES OF MUTUALLY CONNECTED SECTORS. This direction is being realized in two ways.

The first is the integration of existing sectors of the national economy into national-economic production complexes according to the features of commonality (homogeneity) of the ultimate socio-economic results of their functioning, and this assumes the combination of a number of sector ministries. The agro-industrial complex of the country, managed by USSR Gosagroprom [State Agro-Industrial Committee] [APK] and its regional organs, has been organized in this manner.

The second way is the creation of special governmental ("superdepartmental") organs that coordinate and monitor the activity of a number of ministries. These organs are called upon to strengthen the unity of technical policy in the corresponding national-economic complexes and have been granted the right to adopt directive resolutions on specific issues in the operations of the group of ministries they manage. Examples of this type of organ are the USSR Council of Ministers bureaus on machine building and the fuel-and-power complex, as well as the USSR State Committee for Construction Affairs.

Over a relatively short period of activity, the organs of intersectorial management of both types have demonstrated a number of advantages. They ensure, under complex conditions, the surmounting of diversities of

departmental interests and the more comprehensive and efficient resolution of specific technical production tasks. However, problems have also appeared in their functioning.

Work has not yet been completed in the system of management organs of the agro-industrial complex on the creation of the appropriate new organizational structure for the economic mechanism. The degree of centralization of decisions in the organs of the APK is still too great as before, and the rights of sovkhozes, kolkhozes and other subdivisions of the basic link in planning are insufficient. At the basic level, the APK has not surmounted the dispersion of farms and enterprises that were earlier affiliated with various departments. For this reason, contradictions of interests analogous to departmental ones are being preserved.

The efficient delimitation of functions, rights and responsibility, on the one hand among themselves and economy-wide departments, and on the other among themselves and sector ministries, remains the principal problem of the management organs of groups of sectors. There is still parallelism of functions, mutual redundancy and, in certain cases, an unjustified centralization of authority here.

In the future, the process of sector integration and the restructuring of existing ministries into management organs for unified national-economic complexes will obviously continue. The study of ministerial functions is of great significance in this regard.

THE MINISTRIES (COMMITTEES OR OTHER ORGANS) MANAGING NATIONAL-ECONOMIC COMPLEXES SHOULD HAVE COMPLETE AUTHORITY AND RESPONSIBILITY FOR THE SATISFACTION OF A SPECIFIC CIRCLE OF SOCIAL NEEDS.

Analysis testifies to the fact that the ministries are today realizing the task placed before them for the creation of the essential aggregate scientific-and-technical, economic and organizational conditions for satisfying the corresponding social needs by the sectors of the national economy to a considerable extent in a formalistic manner.

First, the ministries do not yet play an active role in formulating and discovering the needs they should be responsible for satisfying. These functions are basically being fulfilled by planning and supply organs. Under these conditions, the ministry answers chiefly for the fulfillment of assigned targets for production, which gives it an insufficient vested interest in the substance of the targets themselves and their correspondence to the real needs of society, on the one hand, and engenders attempts to achieve, at this level of management, the lowest possible targets that correspond primarily to the conditions and development rates of production existing in the sector on the other.

Second, the ministries do not completely fulfill the goal-achieving functions of the leading (highest) level of the national-economic complex. The ministry itself cannot modify the mechanism of economic operation apropos of its own sector to any significant extent--the conditions and standards of planning,

financing, evaluation of the labor activity of enterprises (associations), compensation for labor and incentives for its results.

Third, the ministries do not centralize all reproductive functions for the satisfaction of social needs, which include, as is well known, aside from product output, scientific and technical assimilation, the creation of normal social conditions of consumption and timely and progressive renewal. This determines the appearance of a whole series of disproportions.

The entrusting of complete responsibility for the creation of the essential aggregate conditions for the satisfaction of social needs to the ministries and organs managing national-economic complexes will make it possible:

--to orient the development of production toward the social needs defined by the system of goals of socio-economic development. This will achieve the opportunity of strengthening considerably the purposeful and systematic nature of production growth on the basis of substantive tasks and criteria within the framework of the system of plans and programs of socio-economic development;

--to raise the degree of realization of reproductive functions at the level of the complex, insofar as under these conditions the organization of all types of reproductive activity for the satisfaction of social needs by the ministry or its echelons becomes essential: product output, distribution (jointly or with the participation of central planning organs), exchange and the creation of standard social conditions of consumption (operational maintenance and the like); to strengthen considerably the purposefulness and possibility of implementing a unified technical policy;

--to liberate the national-economic management level (functional organs) from excessive detailing of the product range of product output;

--to expand substantially the independence and initiative of ministries and the production and scientific production associations and enterprises they manage.

#### The Development of Sectorial and Territorial Organization of Management

The makeup and functions of the whole aggregate of economic management organs is not assigned and defined once and for all; they should change under the influence of objective requirements. Intermediate levels and echelons of the management structure therein cannot be self-sufficient, "binding" the continuously developing economy to their extant composition and functions.

The changes that have occurred in recent years in sector management structure are aimed at eliminating superfluous levels, reducing the apparatus and increasing the number of and enlarging associations. This corresponds to the policy of strengthening the comprehensive nature of management at the highest levels and expanding the independence and responsibility of associations (enterprises). The development and introduction of new general management plans for the machine-building sectors are envisaged that should ensure:

--a transition to a basically two-level system of management: ministry--production (scientific production) association (enterprise);

--a further increase in the level of production concentration and the creation of new, and the amalgamation of existing, associations, the concentration of a considerable volume of sector products at them; a reduction of the total number of management facilities at the basic level;

--the concentration of the overwhelming number of workers employed in sector science in scientific production associations (by way of including NIIs [scientific research institutes] and planning and design organizations in their makeup);

--the abolition of economically accountable industrial associations and the creation of main administrations for the management of individual subsectors.

The new general plans and the posing of the enumerated tasks have turned out to be essential, insofar as the all-union and republic industrial associations formed at the beginning of the 1970s in place of the subsector main administrations with a practically unchanging nature of the mutual relations of the ministries and their subdivisions and enterprises has turned out to be inefficient.

The machine-building ministries have somewhat increased the number of production associations and NPOs [scientific production associations] in the new general plans, and have included the scientific research and planning and design organizations in the makeup of the associations. As for the transition of sectors to a basically two-level system of management, this resolution is not being completely fulfilled nonetheless. In fact, in the face of the current nature of the mutual relations of the levels of sectors vertically, the presence of subsector main administrations signifies the preservation of a three-level system of management for those enterprises and associations that are managed through them.

The 27th CPSU Congress posed the task of "ensuring the optimal combination of sector and territorial management of the economy, and ...the arrangement of efficient intersectorial contacts." (Footnote 3) (Materials of the 27th Congress of the Communist Party of the Soviet Union. p 33.) The management of major industrial centers and territorial-production complexes is being improved on this basis. For the more efficient coordination of departmental activity and the assurance of the comprehensive social and economic development of the West Siberian region, special organs at the all-union level were created at one time--a commission of the Presidium of the USSR Council of Ministers, as well as an interdepartmental commission of USSR Gosplan located in Tyumen.

In literature, the opinion is expressed that the management of the largest territorial-production complexes [TPK] should gradually shift away from coordinated-type organs to specially created (even temporary) organs that would answer for the realization of the assimilation and development of the TPK and for which the authority, resources and status for achieving these

goals would be allocated. The definite predominance of the sector principle of management is an obstacle to the development of this type of organ.

The CPSU Central Committee, Presidium of the USSR Supreme Soviet and USSR Council of Ministers decree of 25 Jul 86, "Steps for Further Raising the Role and Strengthening the Responsibility of the Soviets of Peoples' Deputies for Accelerating Socio-Economic Development in Light of the Resolutions of the 27th CPSU Congress," has great significance for the development of territorial management. The envisaged reinforcement of the financial base of the activity of the soviets is of fundamental importance: an expansion of their budgetary independence based on the introduction of compulsory payments directly into the local budget by enterprises of any affiliation that are located in the territory of the given soviet. This will permit the soviets--first and foremost on the republic, kray and oblast scales--and their executive organs to employ economic methods actively to ensure the proportional economic and social development of the regions, the efficient utilization of all types of local resources, and mutually advantageous collaboration with enterprises and organizations that are subordinate to higher organizations.

In order to improve the organization of management on a territorial basis, it is necessary to eliminate the superfluous centralization of the management of exclusively regional socio-economic processes and to approve and disseminate experimentally progressive forms for operational economic management organs subordinate to the soviets. The experience of the organization of the territorial-intersectorial associations in the Georgian SSR (the Poti experiment and others), which acquitted itself well, should be used in particular herein. (Footnote 4) (A description of this experience was published in EKONOMICHESKAYA GAZETA, 1984, No 13 and SOTSIALISTICHESKAYA INDUSTRIYA, 13 Aug 85.)

#### Improving the Organizational Forms of the Basic Link of the National Economy

Raising the operational efficiency of enterprises and other subdivisions on the basic level is the ultimate goal of improving the management structure. Under conditions of the full development of cost accounting [khozraschet], self-support [samookupayemost] and self-financing along with increasing the role of standards in planning, many functions of management that are concentrated at its higher levels will gradually be delegated directly to the enterprises and associations. From the point of view of management organizations it is material that the significance of associations and enterprises in establishing and supporting horizontal contacts--mutual relations with the suppliers and consumers of products and other contact parties--is increasing.

Apropos of problems of management structure at the level of the basic organization, a study of the optimal sizes of associations and enterprises for various types of production and the development and realization of the corresponding general plans for their development and disposition are essential. This work is already being conducted, but in carrying it out, the tendency for the forward development of productive forces and the collectivization of production in the area of the consistent integration of production processes by features of commonality (homogeneity, same purpose) of

the ultimate result should be taken into account. The departmental dispersion of enterprises and associations, in many cases unjustified, should be surmounted in this regard.

The development of associations should obviously occur in the direction of their implementation of all stages of scientific and technical assimilation, production, circulation and consumption of products that satisfy a definite social need or group of needs. That size and composition of enterprises will be optimal that ensures the establishment and uninterrupted implementation of production, technical, economic and organizational contacts among its subdivisions aimed at the fullest and most efficient achievement of the end result.

Further development, as emphasized at the 27th CPSU Congress, should be enjoyed by medium and relatively small enterprises, as a rule, narrowly specialized for the manufacture of constituent items with mass application (parts, assemblies, spare parts etc.) and consumer goods.

The tendency to create associations with "narrow sectorial" and "narrow territorial" features, noted in the 1970s, must be overcome in the development and improvement of general management plans. The efforts of ministries and individual territorial organs to create associations and manage them from departmental and local positions makes the organization of major economic production complexes that include enterprises of allied industries, as well as enterprises of different regions efficiently associated with each other, more difficult. For these reasons, a certain number of associations and production entities that were technologically and economically poorly connected with each other have appeared.

Departmentalism in association management leads to a unique naturalization of their operational economic contacts: associations (following ministries) strive to concentrate all auxiliary and support production in their own hands, implementing cooperation first and foremost with partners from "their own" sector. This position hinders the efficient concentration and specialization of production and leads to deformations in inter-operational contacts within the boundaries of the region.

By the middle of the 1980s, the following prospective types of associations had taken shape at the basic level of the economy.

ASSOCIATIONS (including especially large ones) in the machine-building sectors with mass and large-series production. These associations consist of lead enterprises, which are the production and technical centers for the whole complex, and branches, specialized for the production of individual assemblies and parts of product output. The management of the production association is accomplished through the management apparatus of the lead plant (mill). The branches can retain a certain independence (KamAZ, ZIL and VAZ, Rostselmash in agricultural machine building etc.).

COMBINES in sectors with the sequential and comprehensive processing of raw materials--in ferrous and non-ferrous metallurgy, chemicals, paper and pulp, textiles and other sectors of industry. For example: the Cherepovets



Metallurgical, Norilsk Mining and Metallurgical and Kondopoga Pulp and Paper combines.

TERRITORIAL PRODUCTION ASSOCIATIONS in the raw-material sectors--coal, petroleum and gas industries and electric power (Donbassantratsit, Kemerovougol).

Territorial production associations of sectorial subordination, formed within the complement of administrative and territorial divisional entities of the country (autonomous republics, krays, oblasts etc.), in the food, meat and dairy and local industries, public domestic services etc.

SCIENTIFIC PRODUCTION ASSOCIATIONS and other associations and intersectorial scientific and technical complexes [MNTK] created, as a rule, headed by a major scientific organizations [Kriogenmash NPO, VNIImetmash NPO, Pozitron NPO etc.). As with associations of the first type, NPOs and MNTKs are formed as lead organizations with their own branches. The role of the lead organization in the given case is fulfilled by the scientific research or planning and design institution, which is the center for the development and incorporation of the results of scientific and technical as well as production activity of the whole complex.

AGRO-INDUSTRIAL COMBINES, providing for the production, procurement, processing and sale of agricultural products and foodstuffs. For this purpose, the combines include the corresponding enterprises and organizations: sovkhozes, kolkhozes and other cooperative associations, organizations for the production and technical support of agriculture, enterprises of the processing industry and trade organizations.

Thus, this type of association differs quite substantially from the modern predominant forms of production organization and management in the agro-industrial complex. Whereas, for example, the rayon agro-industrial association carries out the functions of planning and coordination of the activity of legally and economically independent enterprises and organizations, the agro-industrial combine directly consolidates all of the essential material, technical and financial resources, production enterprises and operational economic organizations. The combine, as a unified whole, has at its disposal resources based on cost accounting and self-supporting production, and bears responsibility for the independent resolution of production and other economic tasks. The first agro-industrial associations of this type are the Kuban and the Moskva.

INTERSECTORIAL ASSOCIATIONS, among which industrial-trading firms are becoming widespread in particular. The purpose of these firms is to strengthen the dependence of the production of consumer goods on the needs and demands of the population through the association of enterprises in industry and retail trade.

ASSOCIATIONS FORMED ON CONTRACT PRINCIPLES. Contracts between existing enterprises, associations and operational economic organizations, concluded for the purpose of jointly resolving this or that production task or tasks, are becoming more widespread in our economy in recent years. The operational

economic entities, based on the association of part of their existing material and financial resources, jointly create some operational or cultural-welfare facility, agreeing on this or that mode of mutual relations with regard to the realization of the basic functions etc. This type of contract association in no way affect the legal or economic independence of the contracting parties. On the contrary, independence and the availability of their own funds determine the possibility of entering into contract associations by operational economic entities.

The types of production associations considered have demonstrated a series of positive aspects and have confirmed their overall efficiency as various forms for the basic level at the stage of consistent intensification of the economy. They will be further developed.

The improvement of the organizational structures of management of the national economy will permit an increase in the efficiency of the whole management system and direct it toward the realization of the strategic directives of the 27th CPSU Congress.

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## GOSPLAN OFFICIAL ON TAPPING RESERVE PRODUCTION POTENTIAL

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[Article by I. Arbuzov, department head at USSR Gosplan: "Production Potential and Production Capabilities"; first paragraph is source introduction]

[Text] A computation of the production capability. The efficient use of implements of labor. Improvements in the level of development of new capabilities. Mobilization of the reserves for production.

The country's national economy has tremendous production potential at its disposal. The value of the fixed productive capital amounts to approximately 1.6 trillion rubles, including more than 760 billion rubles in industry. However, the use of capital and particularly its active portion -- machines, equipment and machine tools -- is not always efficient. Thus, as noted during the 27th CPSU Congress, the "planning and administrative organs and the collectives of enterprises must do everything possible to ensure that the capabilities created are utilized at the planned level" <sup>1</sup>.

Production capability, defined as the ability of means of labor to produce a maximum amount of output, makes it possible to determine and evaluate in an objective and scientifically-sound manner the degree of tenseness in the planned tasks for enterprises and branches. In addition to the production volume, the formation of the plans for capital construction, the use of resources for technical re-equipping and the status of the more important economic indicators are dependent upon the completeness of use of the production capability.

An improvement in the return from material and physical production assets, under conditions involving a dynamic increase in these assets, is playing a more substantial role in accelerating the rates for economic development and satisfying the increasing requirements of the national economy for specific types of products. Prior to the beginning of the 12th Five-Year Plan, an increase in the output-capital ratio of 1 kopeck for each ruble of fixed productive capital was equivalent to an increase in national income of more than 14 billion rubles.

The plans for the 12th Five-Year Plan and for the period up to the year 2000 call for a considerable proportion of the increase in the production of goods to be realized from improvements in the use of the existing production potential. But such a goal is not being achieved automatically. Its implementation requires solutions for many problems advanced by science and administrative practice.

This applies first of all to determining the socio-economic essence of production capability and its place in the socialist economy. The production and technical characteristics and the composition and structure of the fixed productive capital of enterprises and production associations express the potential possibilities for the production of goods. The higher the technical level of the capital and the more efficient their structure, the greater will be the potential and the quality of the products produced. It was K. Marx who stated that "Regardless of the social forms of production, workers and the means of production will always remain important factors. But when found in a state of separation from one another, both are only potential factors. Generally speaking, in order to carry out production they must be combined".<sup>2</sup> This methodological statute not only reveals the essence of capability, but in addition it reveals the role played by factors in describing the latter. Among them, objects of labor at the present time define the use of the potential possibilities of fixed capital. Live labor appears as a decisive condition for realizing these possibilities.

Based upon the above, the concept of capability cited in the Principal Conditions for Computing the Production Capabilities of Existing Enterprises and Production Associations (combines) is as follows: the capability of the means of labor (technological totality of machines, equipment, units, assemblies and production areas) assigned to an enterprise for producing a maximum amount of output or for extracting or processing raw materials during a year's time (day, shift), in conformity with the established specialization, production cooperation or operational regime.

Hence the capability of an industrial enterprise, defined by production and technical parameters, can be defined more precisely only when they are changed or when a change takes place in the means of labor. This problem is basic in nature, since deviations from this statute often lead to an unsound understating of the potential possibilities of the means of labor or to confirmation of the fact that the production capability is being employed by more than 100 percent. Thus those factors which determine its size and level of use must be clearly differentiated.

A methodically correct and accurate computation of the magnitude of the production capability is of considerable value for an objective evaluation of the existing production potential. In this regard, importance is attached to clearly defining those factors which affect a change in the magnitude of the capability. This includes: an expansion of the production areas; an increase in the number of machines and their productivity; modernization of existing equipment in order to raise its productivity; a change in the profile and specialization of an enterprise and an improvement in the equipment structure; the introduction of basically new technological processes and the removal of machines owing to physical wear and tear and obsolescence. Under conditions

involving an expansion of economic independence for the purpose of increasing the production capabilities, more complete use must be made of the opportunities available for financing.

The amount of capability is dependent upon the implementation of scientific-technical programs. New quality indicators for the means of labor are formed during the course of scientific developments. During modernization and technical re-equipping operations, the production-technical parameters of machines and equipment and the production technology must surpass the existing analogs of domestic and foreign machine building. An increase in the degree of availability of leading implements of labor and computer equipment will ensure a substantial increase in productivity and, it follows, in capability. A special role is being assigned to the planning services, which must find effective solutions for determining the optimum dimensions for enterprises and ensure the use in the plans of the more progressive machines and equipment.

When computing the values for the productive capabilities of existing enterprises, a number of methodological and practical questions which have been discussed extensively in economic literature will arise. In particular, what indicators should be used for measuring capability -- natural, cost or labor expenditures. Diametrically opposed points of view exist in this regard.

A computation of capability in labor expenditures (for such positive aspects as the possibility of measuring and comparing various types of products) is by no means suitable for determining an assortment of products, the leading element and so forth. The mentioned indicator precludes the possibility of examining use values from the standpoint of quality and from a category associated with specific labor, as noted quite fairly by the scientists, it is converted into a category measured by abstract labor. This limits the use of the indicator and precludes the possibility of seeing the final results of labor -- machines, equipment or other specific products.

In the case of a cost or natural evaluation of production capabilities, a solution for this problem is dependent upon a determination of the total level for the indicators. At enterprises, associations and branches, a need exists first of all for evaluating the production potential for satisfying the social requirements for specific types of products. This is required in planning practice. Such an approach conforms fully to the physical-material nature of the category of production capability. At the same time, the multi-nomenclature nature of individual types of production, particularly in the branches of machine building, light, food industry and a number of others, dictates a need for employing a cost evaluation of production capabilities in addition to a physical evaluation. It should be stipulated that a cost evaluation weakens its importance for validating production programs, since by nature it is closer to the indicators for the use of fixed productive capital and thus makes it possible to trace long-term trends at the macro-level. Thus a twofold evaluation of capabilities -- physical and cost -- is considered to be advisable in planning practice in the interest of achieving greater production balance. It bears mentioning that a comparison of their dynamics would also make it possible to draw appropriate conclusions regarding the quality aspect of these and other indicators.

A more complete reflection of the production potential is promoting a solution for the problem concerned with establishing a fund for the operating time of equipment used in computing capability. When determining production capabilities, the use of a calendar fund of time not only for continuous production operations but also for interrupted ones, that is, with no reduction for the time required for repair work or for technical stoppages, is justified. This would exclude those frequent excesses in the use of capabilities which arise as a result of a reduction in the time for such work and for work carried out after normal working hours.

An objective evaluation of the extent of production capability also promotes a solution for the methodological problem concerned with what type of nomenclature should be used for establishing it. In all of the methodological documents, it is defined as the maximum possible production of products and at the same time this production is examined in the computations in the actual and planned nomenclature and assortment. It turns out that the amount of capability determined by the amount of equipment and its productivity is defined more precisely during changes in the nomenclature. The greater the deviation from the optimum value, the closer the value for capability to the production program. But at the same time, the degree of use of the means of labor is described less objectively.

When revising the methodological statutes, this problem should be analyzed additionally by types of products, the nomenclature for which changes dynamically and the practice should be established of computing the capabilities according to the optimum and planned indicators. This will promote an efficient distribution of production, specialization and cooperation among the enterprises.

During an examination in USSR Gosplan of the branch instructions and methodological recommendations for computing capabilities, special attention was given to the problem of selecting leading equipment. A mandatory factor in approving the instructions was that of defining the specific list of equipment. Such an approach makes it possible to a large degree to eliminate an arbitrary interpretation and selection of the leading element and a computation of capability based upon a weak point. At the same time, recommendations for independently taking into account not only the leading group of equipment but also auxiliary and combined production operations, both for the development and implementation of measures aimed at improving the balance and also for uncovering opportunities for cooperation and activating temporarily unused auxiliary production operations for the production of goods in response to orders from other nearby enterprises, are deserving of attention.

An important element of planning work, one which is based upon the formation of production programs and capital investment limits, is that of improving the utilization of existing capabilities. Factors which serve to determine their workloads include changes in the nomenclature and quality of the products being produced, the structure and skills of workers, the types and quality of the initial materials, the norms for labor productivity and labor-intensiveness and also the time expended for the repair of equipment, for the

work regime and shift operations and for organizing production and administration.

The introduction during the 11th Five-Year Plan, into the practice of developing state plans for the economic and social development of the USSR, of balances for the production capabilities for a broad nomenclature of products had a substantial effect on raising the level for their planning. The balances are developed in close coordination with the planning of capital investments for the technical re-equipping and modernization of existing enterprises, with the rates for growth in labor productivity and with a reduction in production expenditures.

At the same time, from a methodological standpoint complete solutions have still not been found for such problems as determining the maximum level of use for capabilities and an economically sound reserve of capabilities and a proper balance between capabilities, working positions and workers. The methods employed for forming capital construction programs require a high degree of validity (with the normative level for the tasking of capabilities and the staffing of working positions being taken into account).

In order to evaluate the utilization of production potential, use should ideally be made of a computational-analytic indicator that describes the increase in production volume resulting from improvements in the work of existing enterprises, that is, obtaining additional output by means of an increase in equipment workload. Excluding the effect generated by the introduction of new capabilities, it would orient to a greater degree the ministries and departments towards raising the utilization of existing production potential. The methodological problems of maximum equipment workload levels are closely associated in actual practice with the so-called "over-exertion" of equipment operation (prolonged and maximum use). In sharing the opinion concerning the existence of such a maximum level, we consider the question of the impossibility of its prolonged maintenance to be wrong. The constant implementation of organizational-technical measures and technical re-equipping aimed at maintaining a high level of use are making it possible to maintain it for an extended period of time (within the normative periods for the operation of installed equipment or for converting over to a new type of product). Thus the duration of use of capabilities at a high (maximum) level must be viewed as part of an overall complex, with the development and implementation of investment decisions and the peculiarities of efficient renovation of the production system being taken into account more completely.

The establishment of a maximum level is closely associated with the problem of forming production capability reserves. Its urgency is conditioned by complicated production processes, by the extensive introduction of scientific-technical achievements, by an expansion in technological contacts and by an increase in cooperation in the proportional development of production efforts and enterprises. The reserves can also serve as a type of compensatory mechanism for irregularities in the introduction of and delays in the mastering of related capabilities. When defining the reserves, emphasis should be placed upon the priority nature of their formation in those branches where a reduction in output production can bring about a reduction or

disruption in the production processes in various branches of the national economy. This applies to an equal degree to branches having seasonal production, particularly those engaged in processing agricultural products.

Production capability reserves in the raw material and processing branches -- coal, chemical and petrochemical industry, ferrous metallurgy -- can be formed based upon a consideration of possible reductions in the work of the principal technological equipment and also a lack of balance in the development of allied branches and production efforts. When determining the reserves available in machine building, one should take into account the fact that full use is not being made of the existing equipment at a number of enterprises and that great opportunities are available for increasing the equipment workloads and the coefficient for shift work.

An improvement in the balance for capabilities creates the conditions required for reducing the size of the reserves and at the same time it lowers the unproductive social expenditures. Such a balance is not an end in itself but rather it derives from the need for raising social labor productivity and for satisfying the national economic requirements for specific types of products.

At the present time, when balancing state plans, a system of material balances is being developed and proportions are being established between production and the consumption of a product or item. The state plan is thus balanced in terms of production. However, true balance signifies not only balance in production distribution but also in production capabilities. In this regard, special urgency is attached to analyzing the actual balance level for the purpose of eliminating disproportions which arise as a result of reductions in the operating regime of active production capabilities or shortcomings in investment activities.

In order to reveal the level of balance during a rough evaluation, use can be made of a method proposed by the Institute of Economics and Organization of Industrial Production of the Siberian Branch of the USSR Academy of Sciences. This method makes it possible to compare the dynamics for the use of production capabilities against the rates at which they increase.

The elimination of the mentioned shortcomings and, most importantly, a determination of the specific methods for eliminating disproportions are promoted by the development of inter-branch balances for the production capabilities, balances which in some branches describe the degree to which they meet the requirements of other branches for their products, with a full workload being carried out by the related capabilities.

A comparison of the volumes of average annual capability, the production of goods, the use of equipment and the requirements for same, based upon expenditure norms for the amount of raw materials, data on the types of products or the workload of related capabilities makes it possible to determine a value for the disproportions (taking into account the established reserves) for the entire chain -- from raw material branches to the consumer branches -- and to determine the reasons for their appearance. The development and analysis of inter-branch balances in production capabilities makes it possible to reveal the degree to which these proportions are



associated with shortcomings in planning, a lag in the introduction and mastering of new developments, a low utilization of capabilities and, finally, to establish the extent to which the actual expenditure of raw materials and products among consumers conforms to the normative level. In addition, a genuine need exists for implementing measures aimed at eliminating existing disproportions by streamlining the consumption norms, accelerating the introduction into operations and the mastering of capabilities for the technical re-equipping, modernization and expansion of new construction and increasing the exporting of surplus products and the importing of products which are in short supply. A coordinated system of balances for capabilities will make it possible to describe in an objective manner the status of the country's production and its opportunities, to coordinate the tasks for production and capital construction, to raise the level of planning for capital investments in all spheres of the national economy and, finally, to ensure coordinated development for related branches.

Specific conditions for improving the use of capabilities are to be found in each branch and at each enterprise. The uncovering of these conditions, the mobilization of reserves and the development of measures for ensuring proper workloads -- this is a task of great national economic importance. Unfortunately, from a methodological standpoint the situation is such that the role played by the category "production capability" in planning practice has been minimized. In the methodological instructions for developing the state plans for the economic and social development of the USSR, the principal statutes for measuring capabilities are once again set forth and the determination of these capabilities and also the plan for forming the accounting and planned balances for capabilities based upon their computations in the annual and five-year plans are repeated.

Under the conditions imposed for expanding the rights of ministries and enterprises, carrying out a large-scale economic experiment and converting over to the principles of self-support and self-financing, the economic leaders and planning organs must form an efficient system for the functioning of the mechanism of fixed capital and capabilities. Without infringing upon the interests of the production collectives, a planning instrument must be found which will prevent an enterprise from inflating prices and promote a greater return from fixed capital and capabilities from a value standpoint. The national economy requires specific products that will satisfy its requirements and ensure a mutually coordinated and balanced production process.

Despite efforts undertaken to improve the planning for existing production and new construction as a single whole, we are still experiencing disruptions in the system for erecting production installations. Decisions can be handed down concerning the erection of new installations only if full use is made of the potential of existing enterprises and support in the form of labor resources is made available in the regions where the construction is planned. Inspections carried out by USSR Gosplan, jointly with workers attached to ministries, departments and administrative organs in the various areas, reveal that only weak use is being made of the available reserves. For example, a comprehensive inspection of enterprises in Krasnodar Kray revealed that full use is not being made of their potential. At a Krasnodar chemical plant, the

capabilities for producing nitrogen fertilizers were utilized by only 76 percent, the machine building plants of Minselkhoz mash [Ministry of Tractor and Agricultural Machine Building] also by 76 percent and Minzhiv mash [Ministry of Machine Building for Animal Husbandry and Fodder Production] by 78 percent. The capabilities for producing whole milk products were used by slightly more than 70 percent, poultry and beef and for the production of canned fruit and vegetables -- 80 percent. At the same time, a number of ministries and departments introduced proposals for the construction of new enterprises and the expansion of existing ones throughout the kray. This could lead to the creation of excessive capabilities which might go unused for an extended period of time and it could also bring about a drop in the output-capital ratio. During development of the 1987 plan, as a result of the implementation of a number of measures, the workloads must be increased. In this regard, provision was made for a plan for technical re-equipping and modernization and the construction of some new installations was considered to be inadvisable. The measures undertaken made it possible, during the redistribution of resources, to obtain better solutions for the problems concerned with balancing the capabilities with the raw material resources and ensuring priority development for the kray's branches and the allocation of limits for contractual construction work, with the potential of the construction organizations being taken into account.

Inspections carried out at machine building plants established the fact that the data furnished by ministries on the utilization of capabilities was not confirmed at one of them. At each of 100 enterprises so inspected, their actual workload level turned out to be lower by 5-10 points. For example, the capabilities at the Kalinin and Denprodzerzhinsk freight car construction plants were utilized by only 70 and 74 percent instead of 106 and 114 percent, in accordance with such data, and at the Yuzhno-Uralsk machine building, the Sverdlovsk turbine-motor and the Kolomna diesel locomotive construction plants -- by 69, 75.3 and 63 percent instead of 90, 93 and 84 percent.

Under the conditions involving a dynamic increase in production potential, the timely mastering of capabilities has become a large-scale national economic problem. Analysis reveals that two out of every three enterprises (installations) placed in operation have fallen behind the normative schedules for mastering their capabilities and that they are not carrying full workloads. It was for this reason that the national economy suffered an annual shortfall in industrial output of 14-15 billion rubles during the 11th Five-Year Plan.

An increase in the responsibility of all participants in the investment process for the timely mastering of new capabilities will be of great assistance in correcting this situation. Ideally, a situation should be created wherein documents concerned with the acceptance into operations of new installations are signed only after the capabilities have been mastered. The payments for completed installations and the issuing of bonuses to builders should be made dependent upon the above factor.

Considerable importance is being attached to the progressive norms for the duration of such mastering work, as approved by USSR Gosplan in 1984. These norms are promoting increases in the output production plans for the 1986 plan

and in accordance with the draft plan for 1987, at the new, expanded and modernized industrial enterprises and installations placed in operation during these years: coke -- by 19,000 tons, mineral fertilizers -- by 31,000, synthetic ammonia -- by 24,000, caustic soda -- by 3,100 and paper -- by 11,000 tons, tires -- by 53,000 units and asbestos-cement slabs -- by 400,000 standard units and others.

The periods of intra-shift and entire-shift equipment idle time are considerable at the enterprises. One reason for this situation is slow reorganization for the reproduction of fixed capital. The creation of fixed capital is accompanied by the formation of new working positions, with slow rates for the release of workers from existing production operations. This is explained by the disparity in the technological structure for equipment and in the labor-intensive nature of the production program for enterprises. It is becoming stronger in the face of the increasing volume of work concerned with mastering new types of products and also as a result of the increase in the proportion of highly productive equipment, the introduction of which is creating definite disproportions in the machine pool. An improvement is needed in this regard in the workloads for implements of labor, with the potential not only of branch but also inter-branch territorial cooperation being taken into account. Importance is also being attached to eliminating the disparity between the professional-skill structure for workers and the technical level for production.

For the 12th Five-Year Plan, the task has been assigned of raising the coefficient of shift operation of equipment in machine building to 1.6-1.8. This will make it possible, in the absence of additional capital investments, to increase the production of industrial products and to raise production efficiency. Measures are presently being developed for increasing the interest of enterprises in realizing more complete utilization of their production potential by operating their equipment, as a rule, in two shifts and highly productive and unique equipment -- in three shifts and in a regime for a continuous work week.

In carrying out the planned measures, importance is attached to excluding use of the formal approach. Efficient plans for converting enterprises over mainly to double and triple-shift operations must be developed in the ministries, at enterprises and in oblasts and large cities. These plans must call for measures aimed at eliminating both absolute and relative equipment surpluses. Ideally, some of the machine operators working on single-type new and obsolete machines on a single shift basis should be assigned to modern items of equipment and work on a double shift basis. The release of surplus equipment for converting a portion of the machine operators over to double shift operations is not meant to signify a lowering of the production potential. To the contrary, the production of goods must increase as a result of the use of modern equipment.

At the same time, the mentioned plans must reflect measures aimed at achieving cooperation among enterprises in the efficient use of progressive and unique equipment. Thus the creation in the ministries and departments of services for ensuring coordinated actions among the branch and territorial organs, in cooperation in the use of production capabilities, appears to be justified. In

order to improve the equipment workloads, scientific organizations and experimental production efforts should also be formed in the design bureaus and also large-scale test-experimental bases, according to the branch or territorial principle, for several institutes or KB's [design bureaus].

Further improvements are needed in the system for forming the reproduction proportions for capabilities. Up until recently, the need for converting over to the intensive forms of reproduction was not taken fully into account. During the 10th Five-Year Plan, just as during the 11th, more than two thirds of the increase in industrial production was achieved through the construction of new enterprises. At the same time, the changes noted in the reproduction proportions and the increase in the proportion of technical re-equipping and modernization have not always been accompanied by corresponding increases in capability. An acceleration of the renovation of the production apparatus, based upon intensive reproduction forms, must eliminate the bottlenecks and disproportions and, as a result, increase the use of capabilities and the production potential.

The recently developed complex of measures is aimed at raising the intensification and effectiveness of the work being carried out by all of the industrial branches and the national economy. Many of the results of this work are reflected in the five-year plan for the 1986-1990 period. They will be taken into account when forming and defining more precisely the annual plans for the economic and social development of the national economy of the USSR.

#### FOOTNOTES

1. Materials of the 27th CPSU Congress. Moscow, Politizdat, 1986, p 41.
2. K. Marx, F. Engels, Works, Vol. 24, p 43.

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## ECONOMIC ASPECTS OF STATE ACCEPTANCE PROGRAM DETAILED

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 1, Jan 87 pp 56-61

[Article by Candidate of Economic Sciences M. Karpunin under the rubric "Problems of Quality": "The Economic Aspect of State Product Acceptance"]

[Text] The 12th Five-Year Plan with its rich program is in effect. Its first year demonstrated convincingly that the Soviet economy can resolve the most complex tasks. Restructuring is actively manifesting itself and is generating positive results in all sectors of social production. The rate of economic development of industry, agriculture and transport has been raised. Appreciable progress has been achieved in machine building.

At the same time, many socio-economic problems require the increased attention of economic leaders, specialists and all workers in the national economy. One of the most important of these is a substantial increase in product quality.

"The acceleration of scientific and technical progress and growth in the efficiency of production," noted M.S. Gorbachev at the April (1985) Plenum of the CPSU Central Committee, "are inseparable from a decisive improvement in product quality. Its disparity from modern technical, economic, aesthetic and consumer requirements, and sometimes clear waste, are in essence a misappropriation of material resources and a waste of the labor of all the people. That is why the utmost increase in product quality should be at the center of economic policy. Quality and more quality--that is our slogan today. Once the problem of quality is resolved, the problem of quantity can be resolved. This is the sole reliable path to the ever fuller satisfaction of the needs of the country for modern equipment and the growing demand of the population for various commodities, as well as to surmounting shortages in the national economy." (Footnote 1) (Materials of the Plenum of the CPSU Central Committee, 23 Apr 85, Moscow: Politizdat Publishing House, 1985, p 11.)

More than half of the products of machine building still do not correspond to world standards in their basic parameters--reliability, service life, materials consumption and marketability. Customers have serious complaints about the quality of their manufacture. A large quantity of enterprises are violating the requirements for technical-standards documentation for even the highest-quality goods. This trend is moreover strengthening from year to year. Thus, according to data of USSR Gosstandart [State Committee for

Standards], requirements for technical-standards documentation were violated by 32.2 percent in 1984 at the 11 machine-building enterprises inspected, and in 1985 their share reached 37.7 percent. Some one and a half times more items certified as being of the highest quality were excluded from the reporting of the enterprises over this time, and 3 times more profit was withdrawn from the state budget than in 1984. The number of incidents of refused delivery for inspected goods increased by 3.5 times. The causes for this were not only the tightening of monitoring on the part of USSR Gosstandart and the consumers, but also a decline in production and technological discipline, as well as the responsibility of enterprises for the quality of product output.

Data cited at a session of the collegium of USSR Minselkhkhomash [Ministry of Tractor and Agricultural Machine Building] held at the end of 1986 also serves as confirmation of this. Over the last six months, customer complaints about agricultural equipment have increased by 10 percent. Every third piece of equipment that underwent inspection testing at the machinery-testing stations of USSR Gosagroprom [State Agro-Industrial Committee] had a readiness and failure-rate factor worse than that stipulated by the technical conditions.

Similar phenomena, albeit on a smaller scale, are also typical of other machine-building ministries. Insufficient attention is devoted to questions of raising quality at many enterprises, which leads to a reduction in the utilization efficiency of material and labor resources and the growth rates of labor productivity.

That is why the serious measures aimed at resolving the problem of quality that were defined in the CPSU Central Committee and USSR Council of Ministers decree of 12 May 86 "Steps for Radical Improvement in Product Quality" are very important. Their essence consists briefly of the following. Insofar as product quality is imparted at the stages of its creation, an improvement, and in many cases an increase in the volume, of scientific research and experimental design operations is needed. Notwithstanding the increased tasks and requirements for the technical level of products, however, many NIIs [scientific research institutes] and KBs [design bureaus] do not have the modern planning equipment that would permit them to select the most efficient solutions, accelerate the development process for progressive new types of items and assist in conducting their testing and refinement. The machine-building development plan for 1986-1990 envisages an increase in the volume of capital spending for the creation and reinforcement of experimental-test and research bases and the equipping of NIIs and KBs with automated planning systems and other organizational equipment. The technical targets for the development of planned new machinery, equipment and instruments, the majority of which should surpass the best world prototypes, are being elaborated.

At the same time, the role and responsibility of developers for ensuring the high technical level of products is being strengthened, and modern methods for calculation, design, modeling and design solutions that guarantee high quality and reliability are being incorporated.

The ministries, departments, associations and enterprises are developing dedicated scientific and technical programs for raising product quality and

reliability for 1986-1990 and for the period to the year 2000 in which not only the principal directions of the work, but specific measures as well, are defined. Much attention in particular is being devoted to forecasting the indicators of technical level and quality of the most important types of products with a regard for the requirements of international standards that ensure their marketability. The standard technical documentations makes high demands of product level and the organization and volume of testing, metrological support at the stages of research, development, production and operation. An increase in the output of automated diagnostic and measuring-and-inspection equipment, including some built into the technological process, is essential in order to fulfill these requirements.

Special requirements have been defined for the base components of machinery, equipment, instruments and other items for quality and reliability, as well as for the organization of production, equipment, tooling, systems and measurement and inspection equipment. Steps to raise the technical level of production and process tooling along with the reconstruction and technical retooling of enterprises based on the application of modern technological processes and equipment and progressive forms of labor organization have begun to be implemented. Particular attention is being devoted to the development of capacity for the production of modern types of tools and process tooling. In particular, the fixed industrial-production capital of machine building is projected to be almost 50-percent renewed in the 12th Five-Year Plan, including 60 percent for the real assets. The share of assets withdrawn will increase from 2.2 percent in 1985 to 9.7 percent in 1990.

At the same time, the material responsibility of enterprises, associations and scientific organizations for the technical level and quality of products has been increased. The CPSU Central Committee and USSR Council of Ministers decree of 12 Jul 85 "The Broad Dissemination of New Management Methods and Strengthening their Influence on the Acceleration of Scientific and Technical Progress" determined that supplemental charges of up to 30 percent of the wholesale prices for capital-goods and technical products certified as being of the highest quality, depending on their economic efficiency, can be set. This surcharge is preserved if the product, in subsequent certifications, is again awarded the highest category. And, on the contrary, the wholesale price of products relegated to the first category of quality in certification are decreased 5 percent in the first year, 10 percent in the second and 15 percent in the third. Up to 70 percent of the discount is compensated for at the expense of the material incentives fund. The role of certification has currently been increased considerably in this regard. In November of 1985, USSR Gosstandart, in conjunction with GKNT [State Committee for Science and Technology], USSR Gosplan, USSR Gosstroy [State Committee for Construction Affairs], USSR Goskomtrud [State Committee for Labor and Social Problems], USSR Goskomsen [State Committee on Prices] and USSR Minyust [Ministry of Justice], has affirmed a statute on the rights and responsibilities of state commissions in the certification of industrial products. The statute notes in particular that the chairman of the commission is obliged to report to the appropriate ministries on violations of the certification procedure by officials, if these actions interfere with the objective evaluation of product quality. The chairman and members of the commission can be called to task for non-fulfillment of the stipulated requirements.

In order to raise the vested interest of enterprises for the output of high-quality products, it was stipulated that the customer can unilaterally abrogate an agreement in the event of the repeated supply of low-quality products. The manufacturer is obligated to cut back or halt the output of the given types of products and compensate the consumer for damages borne as a result of the abrogation of the agreement.

Thus, measures aimed at improving product quality are being conducted at all stages of their manufacture--from design and development to output in finished form at the enterprises--and utilization by the customer. According to the state standard, product quality is determined as the aggregate of all of its properties that condition their suitability for satisfying definite needs in accordance with their purpose. Everything should therefore be embodied in product quality--the quality of design, the aggregate of the features of the item that reflect the technical requirements for its specific customer, the quality of manufacture, i.e. the extent of correspondence of the manufactured item to the approved technical documentation, the readiness factor, the degree of suitability of the item for the fulfillment of the given functions under specific conditions for its utilization, the quality of maintenance of this item on the part of the manufacturer, which should be manifested in the adoption of specific operational measures for the elimination of defects that arise, warranty service and the centralized removal of workmanship faults.

The creation of a special organ of departmental monitoring--state acceptance--is called upon to play an important role in ensuring high quality. Since 1 Jan 87, it has been incorporated at 1,500 industrial enterprises. In the ministries where state acceptance is being established, this form of monitoring will encompass almost a third of enterprises and about half of their product output. For the sectors of machine building, these figures are 43 percent of enterprises and 60 percent of products respectively.

State acceptance is charged with monitoring the quality of manufacture and the observance of technological processes, the execution of the testing of assemblies, units and articles, and the correspondence of the quality of the constituent items, semi-manufactures and raw and other materials received that are used in product manufacture to established requirements. This in turn requires monitoring the observance of standards and technical conditions and the technical state of inspection and measurement tools, equipment, instruments, attachments and testing installations employed in product receipt and testing. State acceptance should also analyze, in conjunction with enterprise specialists, product complaints coming in from customers, in order to study defects and adopt measures to eliminate them in products that are both in the production stage and in the hands of the consumer, take part in the formulation of complaints on poor-quality and incomplete products received from suppliers etc.

State acceptance has been granted great rights. Its manager can refuse to accept products, and where necessary halt their shipment, in the event of nonconformity to established requirements, negative test results, repeated violations of technological processes of manufacture, the detection of defects



that could cause an accident or breakdown in the process of operation etc. Thus, products that are not accepted cannot be shipped from the enterprise.

These measures are fully justified. According to the data of specialists of Minradioprom [Ministry of the Radio Industry], for example, the return of a single color television set costs the state an average of 539 rubles, and 177 rubles for a black and white. Large losses also exist as a result of the poor quality of other types of production and technical products and consumer goods. They are sometimes, moreover, difficult to tally. After all, the output of low-quality products frequently irretrievably squanders material resources and the labor of many workers is expended for nothing, the installation of equipment is disrupted due to poor-quality products, as is the start-up of production capacity in the stipulated time period, and the efficiency of their utilization is decreased.

The two years of experience of USSR Gosstandart representation at 42 enterprises has demonstrated that at plants where acceptance was introduced, technological discipline was considerably reinforced and the responsibility of executors was increased. Violations of the requirements of technical-conditions standards were almost completely eliminated. The quantity of complaints from customers was more than halved.

Positive changes transpired in particular at the Chekhov Power-Machine Building Plant, the Moscow Frezer Plant, the Taganrog Krasnyy Kotelshchik PO [Production Association], the Bakelektrobytpribor Association, the Smolensk Refrigerator Plant and others.

At many enterprises, preparation for the introduction of state acceptance was begun in advance, which made it possible to improve the quality of their work. Thus, at the end of 1986 more than 80 percent of the volume of products being produced and accepted were turned over at the first presentation at Minpribor [Ministry of Instrument Making, Automation Equipment and Control Systems] enterprises, as were 71.3 percent for Minelektrotekhprom [Ministry of the Electrical Equipment Industry] and 70 percent for Minenergomash [Ministry of Power Machine Building].

The introduction of state acceptance requires the resolution of many organizational, technical and economic issues. We will dwell on several problems of an economic nature.

First of all, considerable initial expenditures are necessary. They are not associated only with the wages for the employees of the new organs of state monitoring of product quality. Verification carried out by USSR Gosstandart organs in 1986 showed that measuring equipment for product parameters was either lacking or was in an unsatisfactory state. At the Odessa Association for the Production of Automated Die-Forging Equipment imeni 16th Party Congress, for example, 12 of 29 quality inspection indicators were not supported by measuring and testing equipment. Some 14 of 38 inspection operations were executed incorrectly. Incoming inspection was not provided with technical equipment. The enterprises were also poorly equipped with technical-diagnostics, active and non-destructive inspection equipment. More than 25 percent of this equipment, as verified at the plants of Minenergomash,

Minavtoprom [Ministry of the Automotive Industry], Mintyazhmash [Ministry of Heavy and Transport Machine Building] and Minstankoprom [Ministry of the Machine Tool and Tool Building Industry], was broken. At 1,700 enterprises, about 40,000 instruments were deemed unsuitable for operation, chiefly due to the poor quality of their manufacture. More than half of the non-destructive inspection instruments produced by Minpribor, for example, required repairs at once. Some lots of them turned out to be wholly unfit for use.

The incorporation of new process tooling is necessary at many enterprises. The major portion of machine tools and equipment require capital repair and retooling. Technological processes and standard technological documentation is in need of review. At the KhEMZ Production Association (Kharkov), for example, it was deemed necessary to inspect more than 4 million drawings, 250,000 technological processes, 34,000 pieces of tooling, about 19,000 dies and more than 50,000 measuring tools. Another example. In preparing for state acceptance at the Shyauliyay Bicycle and Motor Plant of Minavtoprom, for example, it was discovered that all of the products there were produced with deviations from state standards and technical conditions. One of the main reasons for this was the use of unrepaired equipment, tooling and measuring tools for years. The plant did not have the essential test base. In connection with the introduction of state acceptance, the timely installation of an additional 47 machine tools for finishing operations, the manufacture of 3,500 pieces of new process tooling, the replacement of more than 400 pieces of measuring and testing equipment and the capital repair of 50 operating machine tools was required.

A strengthening of monitoring will require the execution of additional testing and inspection operations that were not executed before or were executed in an incomplete fashion.

All these expenditures must be taken into account precisely--not so as to justify the possible reduction in economic efficiency for a specific sector of production, enterprise or sector of industry, but so as to compensate for them with the more complete utilization of all reserves within production.

Second, state acceptance, as is well known, verifies the conformity of the quality of manufactured articles and parts to the requirements of technical-standards documentation. The latter, however, does not always take into account precisely the functional purpose of the end product. In certain cases, the documentation contains indicators and parameters that are either unnecessary for the customer or are too high. Their fulfillment is associated with excessive and unjustified expenditures of labor and material resources. In other cases, the documentation does not contain the essential requirements for machining precision, service life and the reliability of individual assemblies or the coordination of the parameters of various constituent parts of the end products--the lack of such requirements ultimately also causes additional expenditures of human and machine labor, most often by the consumer of the product.

In this regard, the introduction of state acceptance should obviously be accompanied by a review of the technical-standards documentation itself, wherein the use of a cost-function method of analysis is expedient. For a

number of machine-building sectors--electrical equipment, power-machine building, Minlegpishchemash [Ministry of Machine Building for Light and Food Industry and Household Appliances]--positive experience is the employment of this method has already been accumulated.

A so-called integral indicator is used in particular to determine product quality. It is calculated as the ratio of the total useful impact from the operation or consumption of a product to the total expenditures for its creation and utilization. The service life or other useful parameter for the equipment, such as the running time of a motor vehicle to the first capital repair etc., can be used for the total useful impact. The total expenditures include the expenditures of resources for the development, manufacture, installation, maintenance and repair of the item. With the aid of cost-function analysis, the purpose of this or that object is analyzed and the correspondence of all of the article's parameters to its actual functional purpose and the conditions for decreasing the expenditures of labor and material and technical resources are determined. Ultimately the most efficient correlation between utility (consumer value) and aggregate expenditures for the creation and operation of the item are determined.

The task has been placed before the machine-building industry of exceeding analogous products produced before by no less than 1.5-2 times in productivity and reliability. The proportionate power consumption of machinery, equipment and instrument output should decline by 7-12 percent, and its proportionate metals consumption by 12-18 percent, by 1990 compared to 1985. In service life, reliability and productivity, for the whole aggregate of parameters that define the technical level of machine-building products, about 80 percent of machine-building items should correspond to world standards as early as 1990, while in the next five-year plan all principal types of products should be produced at that level.

In order to achieve these goals, a number of problems must be solved, including ensuring the high quality of materials and constituent items. It is apparent that state acceptance should not limit its activity only to monitoring products being produced, but should create an atmosphere in which the developers and manufacturers would not only eliminate all shortcomings, faults of workmanship and violations tolerated by them, but would also eliminate deviations from technical documentation, state standards and technological processes. The formation of consumer features and high quality of manufacture occurs in the planning and development of articles, and therefore state acceptance should also participate in the organization of work at those stages as well, ensuring its high quality.

Many other economic problems are arising as well. They are the creation of the essential conditions for stable and rhythmic work, the restructuring of the system of material incentives, taking into account the acceptance of high-quality products at the first submittal, and the review of some planning and production organization methods. The organization of production and labor should not allow the possibility of the consumer receiving poor-quality products or banning their shipment--after all, this leads to an unfailing reduction in receipts from their sale along with serious economic sanctions, and is reflected in the size of profits. These results have an especially

negative effect on the activity of the collectives working under full cost accounting [khozraschet] and self-financing, insofar as the funds for material incentives and social development are formed through profits received.

In short, state acceptance tests executives on their knowledge of how to work under conditions of restructuring, and everything must be done so that this exam is passed.

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## DIFFICULTY OF ASSESSING NEW TECHNOLOGY IMPACT ACKNOWLEDGED

Minsk NARODNOYE KHOZYAYSTVO BELORUSSII in Russian No 11, Nov 86 p 40

[Article by L. Budnikova, candidate of economic sciences, under the "Scientific Technical Progress: Tempo, Incentive, Direction" rubric: "The Effect That Does Not Exist"; first paragraph is NARODNOYE KHOZYAYSTVO BELORUSSII introduction]

[Text] The economic effect is one of the most important indicators of scientific research assessment. It represents the total saving of all production resources from the introduction of new technology and, ultimately, is expressed in an increase in the national income. This indicator is widely used in the planning and stimulation of the activity of scientific institutions, associations, enterprises, and sectors. Through it, it topics are formed and the best alternatives of development and introduction of new technology are selected.

The amount of deductions that go into economic incentive funds of scientific institutions is determined on the basis of the magnitude of the annual economic effect. The effect is calculated in accordance with standard methods of determining the economic efficiency of new technology, inventions, and efficiency proposals approved in 1977, or the more than 80 sectorial methods formulated on their basis.

An analysis of methodological materials and the calculation practice make it possible to conclude that this indicator "does not work." First of all, methods of determining the economic effect need to be improved. Some examples used in calculations are conditional. This is primarily the discounting method, which is used to reduce expenditures incurred at different times to the year under review. The standard efficiency coefficient of capital investments is established by the method of appraisal by experts, which lowers the accuracy of calculations.

In sectorial methods approved by some ministries there are provisions permitting the application, instead of reduced expenditures, of wholesale prices, or the balance value of technology, in individual cases. The use in some cases of reduced expenditures and in others, of wholesale prices sometimes leads to contradictory conclusions concerning the economic efficiency of new technology.

In a number of cases, to calculate the economic effect, it is possible to apply not one, but several formulas. In this connection results can differ dozens of times. For example, the formula for calculating the economic effect from the production and utilization of means of labor (machines, instruments, equipment, and so forth) envisages the determination of consumer saving obtained during the entire life of equipment. This greatly overstates the magnitude of the effect. At the same time, in calculations according to other formulas only the annual saving is determined. Many methodological problems of assessing the economic effect have not been worked out at all; for example, the economic assessment of preventing damage in the national economy from the implementation of scientific and technical measures, consideration of social results, and so forth.

Thus, the conditionality and shortcomings of a methodological nature, as well as differences in calculation procedures suggested by sectorial methods, hamper the utilization of the economic effect indicator for assessing the real impact of scientific and technical progress on an increase in the national income.

Methods of calculating the effect are complicated. Therefore, a correct calculation requires special training and practical experience. In the last few years, in order to explain the provisions of methods, a large amount of popular science literature was published. However, no one obligates managers of planning and economic services and executor specialists to study it. Sometimes even enterprises themselves are poorly acquainted with the methods.

Permanent courses for teaching calculations of the economic effect of new technology have been organized in Kiev under the Presidium of the Ukrainian SSR Academy of Sciences. For the same purpose on the initiative of the gorkom of the Communist Party of Belorussia a city consultation center was established on a voluntary basis at the base of the Sector of Scientific Research Economics at the Institute of Economics of the BSSR Academy of Sciences in Minsk. However, a few associates at the sector are certainly unable to meet city needs.

At the BSSR Academy of Sciences all the calculations of the economic effect undergo a preliminary expert examination at the Institute of Economics. Those performed at other scientific institutions and at the republic's enterprises are subjected only to occasional control on the part of people's control bodies and the BSSR Ministry of Finance.

Such a check is an extremely labor intensive matter. It is simpler to control the observance of methods. It is much more complicated to check the reliability of initial data, especially in calculations performed by scientific institutions.

In practice, it is impossible to establish whether the basis for comparison, when the economic effect of new technology is determined, is selected correctly. For this, first of all, it is necessary to profoundly analyze technological problems. Furthermore, explanations for the application of individual provisions of standard methods of determining efficiency issued in

1983 permit taking indicators of the best technology available in the country similar in its function as the basis for comparison. However, in such cases it is difficult to obtain the necessary data even at a ministry level.

As a result of checks made by the Minsk gorkom of the Communist Party of Belorussia and Minsk city and oblast committees of people's control, in which associates at the Institute of Economics of the BSSR Academy of Sciences participated, about 7 million rubles of the economic effect from the introduction of new technology at Minsk enterprises, scientific institutions, and higher educational institutions were annulled. Only some out of a large number of checked calculations were performed in a methodologically correct manner.

With what indicators was the national economic effect not identified! Both with an increase in profit and even with the amount of the incentive increment in the wholesale price of consumer goods... A spot check has shown that assessed scientific and technical measures often have been reckoned neither in the enterprise plan, nor in its report.

The search for a close and easily accessible economic effect indicator lowers the national economic efficiency of scientific research and leads to a duplication of subject matters, insignificance of topics, and dissipation of energies and funds. For example, whereas in 1975 one scientific and technical measure in the BSSR, on the average, accounted for 10,700 rubles of expenditures, in 1984 it accounted for 7,800 rubles. Beginning in 1980 the absolute number of inventions, drops in labor productivity growth and the number of conventionally released workers in industry declines as a result of the rise in the technical level of production, as compared with the 9th and 10th Five-Year Plans.

In our opinion, the economic effect indicator can be applied for assessing and stimulating scientists' activity only if the following conditions are observed: first, improvement in methods of determining the economic effect of new technology and performance of calculations according to the same methods; second, technical and economic indicators of the best world and Soviet analogs, or of foreign technology of a similar function, which can be purchased in the necessary amount, or developed in the USSR on the basis of a license purchase, should be taken as the basis for comparison. Developments ensuring an economic effect, as compared with the best world analogs, should be stimulated to the maximum degree, as compared with foreign technology, which can be bought or developed according to a license, to an average degree, and, as compared with the best Soviet analogs, to a minimal degree. All-Union and republic institutes of scientific and technical information should collect data on the best models of equipment and then report them to appropriate ministries and departments. It is also important to organize a nondepartmental check on performed calculations.

For assessing the economic results of introduction of new technology at enterprises and stimulating them, apparently, it is now sufficient to use such simple indicators as an increase in profit (reduction in production cost), a conditional release of the number of workers, labor productivity growth

resulting from the implementation of scientific and technical measures, and their contribution to the general rise in these indicators.

The need for the further improvement in methods of assessing, planning, and stimulating the introduction of new technology is obvious. A mechanism, which would realistically ensure advantages for labor collectives striving for success in the acceleration of scientific and technical progress, is needed.

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## TRANSITION TO COST ACCOUNTING IN APK ENTERPRISES VIEWED

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[Article by I. Buzdalov, doctor of economic sciences: "Development of Cost Accounting [khozraschet] Relations in the APK"]

[Text] In putting into effect the decisions of the 27th Congress, the party is carrying out a profound restructuring of the economic mechanism and is establishing an integral, efficient and flexible system for managing the economy that permits a fuller realization of the possibilities of socialism. One of the directions in this work is the conversion of associations and enterprises, sovkhozes and kolkhozes to real and complete cost accounting and to self-support [samookupaymost] and self-financing.

The development of true cost accounting relations is an overall national economic problem that also relates to such an important area as the agro-industrial complex [APK]. The main thing here is to ensure firm reliance on economic methods, on material incentives and on direct economic responsibility from the top to the bottom for administrative decisions and for final production results. The historical experience of the USSR at the beginning of the 1920's relating to the transition to the tax in kind and to the organization of systematic commodity-money relationships as well as the current practice in the world socialist system indicate that agriculture and the entire APK as a whole are an area in which the very conditions of reproduction dictate the necessity of the broad application of the principles of cost accounting.

As is noted in the Political Report of the CPSU Central Committee to the 27th CPSU Congress, the basic concept behind the fundamental changes in the economic mechanism of the agrarian sector amounts to making way for economic methods of management, to significantly expanding the independence of kolkhozes and sovkhozes, and to raising their interest and responsibility for final results. "In essence," the report stresses, "it is a matter of the creative utilization of the Leninist idea on the tax in kind as applied to current conditions" ("Materialy XXVII syezda KPSS" [Materials on the 27th CPSU Congress], Moscow, Politizdat, 1986, p 31).

The realization of the aims of the 27th CPSU Congress on the development and increase in the effectiveness of cost accounting requires not only active

practical work but also the further development of the theory of the matter, the overcoming of forces of inertia in economic thought, and a critical reevaluation of several previous views and concepts.

In overcoming habitual and established notions on the nature of cost accounting relations and in explaining the fundamental differences between formal cost accounting "on paper" and real cost accounting, of decisive importance is the Leninist concept of socialist management, in which the theory and practice of cost accounting occupy an especially important place. This is explained by the fact that in cost accounting there is a close intertwining of the most important aspects of the efficient functioning of the entire system of production and, in part, commodity-money relationships and the principle of democratic centralism in the management of the economy is realized in practice.

In developing the principles of socialist management, V.I. Lenin applied Marxist methodology creatively. Considering that theory is confirmed and corrected by practice, he subjected several initial general forecasts and views on the economic problems of socialism, including problems of commodity-money relationships in the socialist economy, as well as on the role and functions of cooperation in its system to a serious critical reevaluation. V.I. Lenin noted that life forced one to break away from theoretical schemes and required that one learn another art essential in revolution--flexibility--and also learn the ability to change the methods and forms of economic policy quickly, to take into account changed objective conditions, and to choose another path to our goal if at a given period of time the previous path turned out to be inexpedient or impossible (see Lenin, V.I., "Polnoye sobraniye sochineniy" [Complete Collection of Works], Vol 44, p 151]. The development of the theory of socialism in these directions was precisely what made it possible to establish a sound practical scientific foundation for cost accounting, which became the basic element in a qualitatively new economic mechanism and the core of the agrarian and entire economic policy of the Soviet state that underwent fundamental change at the beginning of the 1920's. Even today, as a method of socialist management based on the systematic utilization of the mechanism of commodity-money relationships, cost accounting remains an essential link in the economic policy of the party and socialist state.

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The commodity-money form of exchanging labor in the socialist society is an objectively essential form. As the CPSU Central Committee decree "On the Journal KOMMUNIST" stresses, what is required is a further and more profound political and economic illumination of the problem of commodity-money relationships and of the "role, place and historical prospects of commodity production and the law of value under socialism and a revelation of the specific forms of the utilization of the tools of the commodity-money relationships in accordance with the demands in the restructuring of the management system."

The cost accounting relationships closely linked with them have an impact on the interests of people, the main moving force of social development. This

stimulates the rational utilization of labor, material and natural resources. The systematic improvement of these relationships establishes the essential economic conditions for the development of public self-administration and the activation of the creative initiative of labor collectives and other economic links in the resolution of economic and social questions and in the selection of the forms and methods for achieving common goals in the most economical way.

As noted in the CPSU Central Committee decree "On Urgent Measures to Raise Labor Productivity in Agriculture on the Basis of the Introduction of Rational Forms of Its Organization and Cost Accounting" passed at the end of 1986, the production activity of rural workers is best realized "through the full assimilation of cost accounting relationships at all levels of production and the introduction of the collective contract and intensive technologies." It is also noted that the introduction of cost accounting and the collective contract is associated with considerable formalism and irresponsibility. The Central Committee obligated the party and soviet authorities, the USSR Gosagroprom, and the farm managers to make fundamental improvements in the organizational and political work for the broad introduction of cost accounting and the collective contract in all links of agricultural production, considering this to be an obligatory and essential matter for all kolkhozes and sovkhozes. It was also proposed that there be a critical review of the situation with respect to the assimilation of economic methods of management in each collective and a strengthening of scientific investigations in this area.

At the present time, there is an especially urgent need to work out clear economic and legal bases for the work in cost accounting and flexible methodological foundations in this respect. The fact is that the low level of the contemporary development of the methodology of the question has an impact on the practical implementation of cost accounting principles in the agrarian sector. Such a lag is explained by a number of reasons and, as noted above, primarily by the underestimation of the role and place in the planned economy of commodity-money relationships closely related to cost accounting. The 27th CPSU Congress noted that the denial of the importance of the active influence of commodity-money relationships on the increase in the economic incentives of people and the efficiency of production weakens cost accounting and brings about other undesirable consequences.

Another reason is the minimization of the role of cooperative enterprises existing and operating on the basis of self-supporting production and extensive independence. There are quite a few shortcomings and distortions in their work--in that of the kolkhozes, for example. At the same time, as practice indicates, kolkhoz workers are more inclined than sovkhoz workers to show a sense of being in charge. Many kolkhozes and other cooperative organizations are demonstrating an efficient management of the work. The CPSU Program points out that the party will improve the work of cooperation, viewing it "as an important form of socialist self-administration and as an effective means of developing the national economy" ["Materialy XXVII syezda KPSS" [Materials on the 27th CPSU Congress], p 162).

At the present time, a decisive condition for the development of true cost accounting at kolkhozes, sovkhoses and other enterprises and organizations of the agricultural industry is the expansion of their independence and the increase in their economic responsibility for the achievement of good final results. For this, in turn, it is necessary to make effective use of the instruments of commodity-money relationships (production cost, price, profitability, profit and others). All scientific and practical work must be aimed precisely at this and not at an endless repetition of the importance of cost accounting and its necessity. "As long as I have been working," writes Hero of Socialist Labor A.I. Maystrenko, director of the Krasnoarmeyskiy State Pedigree Stock Plant in Krasnodar Kray, "I have been hearing the word 'cost accounting'. There is incomplete cost accounting, partial cost accounting, and so on. And why is it needed when it is partial and incomplete? It is economic accounting! Clearly, it is all a matter of who performs this accounting: the farmer or some uncle 'from above.' In other words, who among them determines how to earn and how to spend the earned money."

It must be said that attempts were made previously as well to convert kolkhozes and sovkhoses to true cost accounting. Thus, in 1967, the CPSU Central Committee and USSR Council of Ministers passed a decree on the conversion of sovkhoses to full cost accounting. It was provided that through their own means they must reimburse their production expenditures, regularly carry out expanded reproduction, establish economic incentive funds, and pay back bank loans on time. It was planned to expand the rights of sovkhoses in the resolution of production matters and in the utilization of their own financial resources, etc.

In practice, however, the rights of the farms again began to be limited. For example, their economic stimulation funds began to be used more and more as planned sources for the financing of capital investments. The sovkhoses continued to be assigned numerous indicators from above that are not foreseen under the conditions of cost accounting and the initiative of farm managers was increasingly paralyzed. As a result, the efficiency of sovkhos production declined whereas the number of unprofitable sovkhoses did not decline but increased. Favorable conditions for management were established after the May (1982) CPSU Central Committee Plenum, in accordance with whose decisions quite a lot was done to strengthen the rural economy. Some 21 billion rubles were spent just for raising purchase prices for agricultural output and for markups on them for low-profit and unprofitable farms.

But these and other measures were not supported by economic methods of production management. They did not succeed in eliminating the unprofitability of many agricultural enterprises. The weak interaction of the cost accounting system and economic responsibility led to the nonrational utilization of resources, to the rates of increase in the remuneration of labor exceeding its productivity, and to a sharp rise in indebtedness. In 1985, 15 percent of kolkhozes and 23 percent of sovkhoses were unprofitable and their total losses amounted to 3 billion rubles. At the beginning of 1986, the credit indebtedness of kolkhozes, sovkhoses and interfarm agricultural enterprises had reached 143.9 billion rubles. As a result, many kolkhozes, sovkhoses and processing enterprises entered into the new five-year plan with serious financial difficulties.

It should be noted that in recent years active work has been done in some republics and oblasts to introduce full cost accounting at kolkhozes and sovkhoses. This produced positive results. In a number of union republics and oblasts, there have been no unprofitable farms. All of this indicates that with the correct organization of interfarm and intrafarm relationships there are real possibilities for the general introduction of true cost accounting so that each farm can be self-supporting and subsequently work under principles of self-financing. New conditions for this arise as a result of the realization of the measures outlined in the decree of the CPSU Central Committee and USSR Council of Ministers "On the Further Improvement of the Economic Mechanism of Management in the Country's Agro-Industrial Complex" passed last year.

In the deepening of cost accounting, extraordinarily great importance is assigned to the expansion of the limits to the independence of kolkhozes and sovkhoses and to raising their responsibility for good final results in production. The farms now have the right independently, on the basis of the plans for the sale of output worked out with their participation, to determine the sowing areas, the yield and gross harvests of agricultural crops, the size of livestock herds, their productivity, and the gross production of products in animal husbandry.

The rights of kolkhozes and sovkhoses are being expanded in connection with changes in the system for the purchase of agricultural output. Stable annual plans for the sale of grain to the state were established for the current five-year plan. For other types of output, firm plans for deliveries to All-Union and republic stocks are being assigned to union and autonomous republics, krays and oblasts for the years of the five-year plan. Everything that is produced in the republic or oblast beyond these deliveries remains for local supply. The kolkhozes and sovkhoses have been granted the right to sell the entire above-plan output and--for potatoes and vegetables, cucurbits, fruits and berries, and table grapes--a significant part of the planned output at their discretion through cooperative trade and at kolkhoz markets under contractual terms.

A certain limitation of the volume of deliveries of agricultural output to centralized stocks and a broader utilization of the remaining output at the discretion of the farm or for local consumption is one of the directions in the realization of Lenin's idea of the tax in kind. As you know, the transition to the tax in kind was associated with a reduction in the volume of obligatory deliveries of products to the state but at the same time there were expanded purchases of agricultural output from peasants on the basis of commodity-money exchanges. Also foreseen was the determination of the size of compulsory deliveries substantiated and differentiated according to the quality of the land and other conditions. Here consideration was given to the interests of the commodity producers themselves as well as of the socialist state.

The farms now have the possibility of selling part of the produced output independently, including at prices higher than state retail prices. This stimulates them as well as the local agro-industrial authorities to increase

the production of different agricultural products and their sale to consumers. Thus the Kuban Agro-Industrial Combine sells part of its output through its own stores at prices higher than state retail prices. This is quite natural. As you know, state retail prices are lower than purchase prices for many types of agricultural output. The Ramenskoye Agro-Industrial Combine near Moscow sells its produce in its own stores at prices somewhat higher than in the state commercial stores but significantly lower than at kolkhoz markets. At the same time, the combine itself establishes the prices for fruit and vegetable produce. They change from day to day depending upon supply, quality and consumer demand. What give the farms the right to trade their products at a higher price? Above all the high quality and also the increased consumer demand.

Later on in this way one can establish the economic conditions for the transition to direct planned contractual relationships, the high efficiency of which is confirmed by the experience of a number of socialist countries. There the state plan for purchases of all types of agricultural output is established not for farms but for purchasing organizations that sell it on the basis of contracts with the farms. The utilization of this experience is important for the realization of the aims of the 27th CPSU Congress to be more active in "developing direct ties of kolkhozes and sovkhoses with enterprises in the processing industry, trade and public catering" ("Materialy XXVII syezda KPSS" [Materials on the 27th CPSU Congress], pp 296-297).

Granting kolkhozes, sovkhoses and agro-industrial combines the right to sell part of the planned output (potatoes, vegetables, fruit, etc.) and all above-plan output is a new aspect in the restructuring of the mechanism for managing the APK based on cost accounting. This establishes the conditions permitting each labor collective to consider itself more as a legally competent and responsible manager.

It follows, however, that the granting of economic independence to agricultural enterprises and other labor collectives of the APK and the elimination of petty control and incompetent interference in their work is only one side of the development of cost accounting relationships. It is also necessary to resolve another urgent problem, the delimitation of the economic functions of the subdivisions of the system of the USSR Gosagroprom and other administrative authorities and the elimination of their merging, substitution and duplication. This is now one of the main conditions for the development of production democracy and the strengthening of the principles of self-administration.

Lenin repeatedly pointed out--especially in connection with the 11th CPSU Congress--the inadmissibility of the interference of superior, including party, authorities in daily economic activities. The resolution passed by the congress emphasized the necessity of eliminating such intervention, which, in the final analysis, can produce "quite disastrous results in the economic area" (KPSS v rezolyutsiyakh i resheniyakh syezdov, konferentsiy i plenumov TsK [CPSU in the Resolutions and Decisions of Congresses, Conferences and Central Committee Plenums], Moscow, Politizdat, 1970, Vol 2, p 344). "The absence of a strict delimitation of functions," it was further noted, "and incompetent interference lead to the lack of strict and precise responsibility

of each person for the work entrusted to him, increase the red tape in the party organizations themselves doing everything and nothing, and hinder the serious specialization of farm workers, the study of the question in full detail and the acquisition of truly usable experience--in short, they impede the proper organization of the work" (ibid.).

The delimitation of the economic functions of the administrative authorities helps in the consolidation of democratic principles in production work, in the active introduction of cost accounting principles, and also in the strengthening of the political functions of the party management of the economy. The necessity of such a delimitation has been stressed in recent years, in particular at the June (1983) and February (1984) CPSU Central Committee plenums and at the All-Union Economic Conference on Problems in the Agro-Industrial Complex (1984), and was confirmed in the decisions of the 27th CPSU Congress and its Party Rules.

Up to now, however, many local party and soviet authorities and workers in the agricultural industry are holding on to the former style and methods of management and are oriented primarily toward administrative measures to the detriment of economic measures and toward the departmental approach. As before, numerous indicators and specific targets are established for kolkhozes and sovkhozes. Such directives often run counter to the requirements of the farming system, violate crop rotations and, in the final analysis, result in losses for the farm. How can one work under full cost accounting and organize a rational farm on the land if to this day they continue to importune and instruct when to plow and sow, what to sow and when to harvest, comments V.P. Starovoytov, chairman of Rassvet Kolkhoz and well known in our country, on the consequences of this policy. This is at the kolkhozes. It is worse at the sovkhozes: there economic initiative cannot even take a step beyond the palisade of instructions.

Practice confirms the fears that things can come to a standstill without restructuring under principles of cost accounting and the material responsibility of the entire system, above all of its top echelons, for the economic management of the APK. The legal consolidation of a line safeguarding labor collectives from petty control and bureaucratic administration in the law being drafted on the socialist enterprise can play an important role.

To prevent excessive interference in the economic activities of the enterprises, a system is becoming widespread in the CEMA countries under which the higher authorities can issue direct orders to enterprises only under extraordinary circumstances. At the same time, the enterprise suffering losses from such orders retains the right to demand reimbursement of the loss in the courts. Such a system is especially important for ensuring the economic independence of enterprises and for eliminating bureaucratic administration. Thus, the CSSR has introduced the principles of a system for managing agriculture that give the higher authorities direct responsibility for the results of direct instructions to enterprises. Such responsibility was previously introduced in the Hungarian APK.

It must be said that prohibitions alone are not enough to eliminate the incompetent interference of guiding authorities in the economic activities of kolkhozes and sovkhozes. The transition to the planning of agricultural production and the sale of output to the state on a contractual basis can play an important role here. In so doing, it is necessary to guarantee the clear-cut legal provision of contractual economic relations. They must not be formal, as they now are, but be the basis for plans and regulate the work not only of farms but also of the administrative agencies of the agricultural industry. It will then become possible to ensure a harmonic unity of the interests of economic subdivisions and the society as a whole rather than a relationship of command and subordination. This will put up a substantial barrier to the unjustified interference of higher authorities in the economic activities of kolkhozes and sovkhozes and will establish the conditions for their real rather than declared independence.

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A fundamental problem in the transition of sovkhozes and kolkhozes to true cost accounting is their transition to the principle of self-supporting production and self-financing. This means that through its earned monetary resources the farm will ensure expanded reproduction (capital investments and expenditures for the formation of the main livestock herd and for increasing the standard of its own working capital), will pay back Gosbank loans, will establish economic stimulation funds, etc. In accordance with the new economic mechanism for management in the APK, the kolkhozes and sovkhozes must carry out expanded reproduction and construct nonproductive facilities through, as a rule, their own funds and USSR Gosbank credits.

"The experience of the past," emphasizes the Political Report of the CPSU Central Committee to the 27th CPSU Congress, "has shown that the ignoring of the principles of self-supporting production and the violation of material incentives and responsibility for the results of the work worsened the financial and economic position of kolkhozes and sovkhozes and led to significant farm indebtedness. True cost accounting and the dependence of enterprise income on final results must become the norm for all APK links, above all kolkhozes and sovkhozes" ("Materialy XXVII syezda KPSS" [Materials on the 27th CPSU Congress], p 32).

Essentially, the self-supporting production of farms is ensured through a systematic commodity-money exchange and a flexible price and credit-financial mechanism. Of great importance for the agrarian sector is the state's proper utilization of the mechanism of rent relationships and the corresponding tax system, in particular the land tax widely used in Bulgaria, Hungary and other socialist countries.

A special role belongs to sound price-setting both for agricultural output and for the means of production provided to agriculture by industry. The 27th CPSU Congress rejected the prevailing opinion about the supposed inadmissibility of the principle of flexible prices in the socialist economy. The decree of the party and government "On the Further Improvement of the Economic Mechanism of Management in the Country's Agro-Industrial Complex" called for the practical application of this principle. Thus, the USSR



Gosagroprom and USSR State Committee on Prices are obliged to strengthen their control over changes in the prices for industrial products and services for agriculture. In case there is a rise in these prices, they must present recommendations to the USSR Council of Ministers on the corresponding increase in purchase prices for the following 5 years so that the profitability of kolkhoz and sovkhoz production does not decline. Such support of the equivalent price and other measures to improve the financial position of kolkhozes and sovkhozes opens up the real possibility for profitable production and the farm's receipt of income in accordance with the actual labor contribution of the collective to the development of public production and to increasing its efficiency.

Another direction in the application of the principle of flexibility in price-setting has great importance for the strengthening of cost accounting in the agro-industrial area. It consists in the fact that the gosagroproms of the union and autonomous republics and the agro-industrial committees of the krais and oblasts have the right to establish retail prices for potatoes, vegetables, fruit, grapes and a number of other products sold through the subordinate stores. This measure makes it possible to reduce losses of output, especially fruit and vegetables and also to have an active impact on the reduction of kolkhoz market prices. At the present time, a substantial part of the entire output of fruit and vegetables and potatoes is sold to the population at the prices of the system of the USSR Gosagroprom. Thus, about 50 percent of the output of fruit and vegetables and approximately 40 percent of the potatoes are sold through the commercial network of the RSFSR Gosagroprom.

In speaking of the improvement of purchase prices for agricultural output as well as of the prices for industrial products supplied to the kolkhozes and sovkhozes, one must not fail to mention the system of state retail prices for foodstuffs. These prices do not cover the expenditures for the production of food products. Is this not the reason why some of the people have an unserious attitude about milk, bread and other products, about which Soviet public opinion is justifiably raising sharp questions?

This is a major and complex problem that they are trying to resolve in Bulgaria, Hungary and other CEMA countries. Here we will note that the current food policy based on the principle of the stability of retail prices for the main food commodities is easily explained in overall social terms. In discussing this question in economic terms, however, there is usually no specification of whether one is talking about relative or absolute stability (price "freeze"). Meanwhile, if one considers such factors as the limited resources, including natural resources, the necessity of utilizing more costly forms of these resources, and tendencies toward an upward movement of prices in the world market, then, in our view, in improving price-setting one must begin with the principle of the relative stability of retail prices. The consistent realization of this principle has great importance in preventing the waste of public labor and its products, including food products, in establishing the conditions for balanced economic development, and in eliminating huge subsidies to the food sectors of the APK that are already burdensome to the society.

As you know, our purchase prices for agricultural output are presently considerably higher than state retail prices. The difference between these prices is covered out of the state budget. In 1984, budgetary appropriations to reimburse the difference in prices amounted to 53.3 billion rubles (29.9 billion rubles in 1982), including 19.1 billion rubles for purchases of livestock and poultry, 12.9 billion rubles for milk, 2.4 billion rubles for potatoes and vegetables, 3.2 billion rubles for grain and oil seeds, and 3.3 billion rubles for raw cotton and hides. Appropriations for these purposes amounted to 10.2 percent of budgetary expenditures in 1982 and 14.4 percent in 1984. The 1987 state budget of the USSR provides for subsidies totaling 58 billion rubles.

Opinions are now being expressed in scientific publications about the economic essence of price subsidies for foodstuffs. In particular, it is proposed that these subsidies be included in the public consumption funds, which has great importance in calculating the standard of living of the population. For these subsidies appear as a direct additional payment to the public for the purchase of food products. Of each ruble of foodstuffs purchased by the population in the state and cooperative trade network, subsidies from the budget amounted to 19 kopecks in 1981, 21 in 1982, 34 in 1983, and 32 kopecks in 1984.

The extension of the practice of applying so-called prices of mutual agreement is a prospective direction for the strengthening of the economic bases of cost accounting and the principle of self-supporting production. The experience of socialist countries shows that the relative stability of prices and their flexibility and mobility are successfully combined in contractual planned prices. These prices take into account the social utility and the use characteristics of the product and the supply and demand for it, which cannot be ignored in the organization of socialist production under cost accounting principles.

We are also beginning to extend the practice of selling specific types of food under contractual and stimulatory (for kolkhozes and sovkhoses) prices. Thus, consumer cooperatives buy agricultural output from private subsidiary plots at contractual prices and sell them in their stores at prices above state retail prices. As was pointed out above, agro-industrial combines sell part of their output to consumers at higher prices. Kolkhozes and sovkhoses also have the possibility of selling vegetables, fruit and potatoes at kolkhoz markets or consumer cooperatives at prices exceeding state retail prices.

In agriculture, it is very important to mediate land, water for irrigation, and other natural resources using cost accounting principles. In our press and in the publications of economists in the countries of socialism, the concept of the "cost-free nature" of natural resources is justifiably being subjected to serious criticism. Without delving into the nature of the arguments for and against such an approach, we will note that the inclusion of land and other natural resources of the APK in the system of cost accounting relationships in the form of a land tax and payment for irrigation water, for example, has a stimulating impact on the level of the utilization of these resources and on their better and more economical application. Thus, they have established a land tax in Hungary and its rates range from 0 to 1,800 forints per hectare depending upon the fertility of the land. The practice is

analogous in Poland, the CSSR and other socialist countries. An urgent task for our agriculture is the formulation of a land register and an economic evaluation of the land. This is due to the fact that everywhere beginning in 1987 there will be a transition to a standard method of planning the production of agricultural output and its purchases. In working out valid economic standards, consideration will be given to all farm resources, above all the size of the land areas and their fertility.

For the development of cost accounting relationships, considerable importance attaches to the question of value indicators of the work of agricultural enterprises and the criteria for the material stimulation of their collectives, managers and specialists. In Bulgaria and other countries of socialism, for the purpose of ensuring the economic conditions for the development of cost accounting, they have established a precise orientation to profit and profitability, being the specific expression of self-supporting production. At the 12th Congress of the Bulgarian Communist Party, it is emphasized that precisely profit "must become the basic criterion for the work of each labor collective and each brigade..." ("XII syezd Bolgarskoy kommunisticheskoy partii" [12th Congress of the Bulgarian Communist Party], Moscow, 1982, p 22]). The decisions of the 13th Congress of the Bulgarian Communist Party also supported this course. The program documents of the Hungarian Socialist Workers' Party gave an analogous orientation to profit and profitability in the development of the cost accounting relationships in the APK.

It was noted at the May (1982) CPSU Central Committee Plenum that the indicator of profitability synthesizes the results of all the work in ensuring the efficiency of agricultural production. In this connection, the task was established of directing price-setting and the entire system of cost accounting controls to the achievement of the "stable profitability of farms as the basis for expanded reproduction" ("Prodovolstvennaya programma SSSR na period do 1990 goda i mery po yeye realizatsii. Materialy mayskogo Plenuma TsK KPSS 1982 goda" [Food Program of the USSR for the Period Through 1990 and Measures for Its Realization. Materials on the May 1982 CPSU Central Committee Plenum], Moscow, Politizdat, 1982, p 60). The 27th CPSU Congress demanded the unfailing application of the principle of the no-loss work of enterprises and associations, stressing that precisely therein is the essence of cost accounting.

The profitability and profit of kolkhozes and sovkhoses increased as a result of the implementation of the major economic measures taken by the May (1982) CPSU Central Committee Plenum. In 1985, the net income (profit) of kolkhozes amounted to 10.7 billion rubles and the level of profitability of kolkhoz production was 19 percent. At sovkhoses, these indicators were 9.9 billion rubles and 16 percent, respectively. At the same time, it must be said that because of the weak connection between the value indicators of the work of the farms and production efficiency and profitability the tendency of the latter to decline for a number of crops has not yet been overcome. Thus, in the years 1983 through 1985, the level of profitability in kolkhoz grain farming declined by 13.8 percent and by 11 percent in the production of sugar beets. An analogous situation is observed at sovkhoses.

As a consequence, the urgent task remains to make full use of the cost-saving functions of cost accounting. This presupposes the achievement of a close connection between the evaluation of labor and its stimulation and the generalizing indicator of cost accounting activities--profitability. In particular, now as a new economic mechanism in the APK, the stimulation of the labor of the leading workers, specialists and employees of sovkhozes, kolkhozes and other agricultural enterprises is made dependent upon one indicator--profitability--instead of the numerous indicators previously applied. Up to 0.1 monthly salary is paid for each percent profitability and 0.5 monthly salary for each percent increase in profitability in comparison with what was achieved in the preceding 5 years. In this way, the practice in the development of cost accounting relationships puts an end to the disputes about the criteria and indicators in the evaluation of the results of the economic activity of agricultural enterprises.

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At the present time in the APK, favorable management possibilities are being established that make it possible to strengthen the economy of kolkhozes, sovkhozes and other agricultural enterprises and to work without losses. Under these conditions, it is essential to intensify scientific and practical work so as to ensure the universal introduction of true and complete cost accounting in all links of agricultural production in the APK as a whole.

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## EUROPEAN-URAL ZONE TIMBER RESOURCE USE IMPROVEMENT ADVANCED

Moscow LESNAYA PROMYSHLENNOST in Russian No 3, Mar 87 pp 24-25

[Article by N. A. Medvedev, candidate of economic sciences, USSR Minlesbumprom [Ministry of the Timber, Pulp and Paper and Wood Processing Industry]: "The Forest Complex"; "As a Matter for Discussion"]

[Text] Today the condition of forest resources is cause for serious concern. Having the the world's largest reserves of forest resources, the country's economy is experiencing difficulties with timber supplies. Growth rates in the forest industry lag considerably behind those for industry as a whole.

This situation is due to a number of important factors, in particular, the premature decline of ability to log because of various restrictions on providing logging enterprises with areas to cut. In the past 20 years alone, logging volume by USSR Minlesbumprom enterprises in the European-Ural Zone has declined by 26.4 million m<sup>3</sup>, while forest stands have increased by 1.8 billion m<sup>3</sup> and the area covered by forests by 6.7 million hectares (including 3.8 million hectares of coniferous timber).

Even though there are large timber reserves, especially of mature and overmature stands (56 percent), in the forests of the European-Ural Zone, every year about 10 million m<sup>3</sup> of commercial round timber are hauled in from West and East Siberia. This is done in spite of the fact that each cubic meter of timber hauled in from Siberia to meet needs in the European part of the country costs twice as much as that logged within the zone, and, with regards to capital investments, three times as much. All this has sharply complicated the country's timber supply situation. In spite of its huge forest resources, the country will continue to experience this tautness in future years if the present forest use situation is not changed.

The 27th CPSU Congress demanded the maximum mobilization and use of internal reserves in each sector of material production and the elimination and prevention of unsubstantiated decisions. However, it is our conviction that today forest use questions are often being decided without taking these demands into account. Some forestry officials, mobilizing public opinion, are persistently advocating the development of logging in Siberia and its general curtailment in the European-Ural Zone.

The Basic Forest Legislation in the USSR and the Union Republics (Article 45) requires measures to improve the age composition of forests, prevent the accumulation of overmature stands, and to perform forest quality improvement work. However, the reductions in forest use in the European-Ural Zone being planned and implemented by forestry organs are motivated by unsubstantiated cuttings of older timber and, as a consequence, reduced allowable cuts. Local forestry organs are systematically reducing the area of exploited forests and the forest resource base for logging enterprises through their conversion to forests in the first group and different protection categories. In the European-Ural Zone 28.5 percent of forest areas, with stands totalling 5.96 billion  $m^3$  (including 3.49 billion  $m^3$  of coniferous) have been eliminated from normal economic use as a result of curtailments in forest use or conversion to first group forests. Annual sustained yield use in these forests could reach 50 million  $m^3$ , as much as is logged in Sweden.

The unused allowable cut in first group forests in the European-Ural Zone totals 20 million  $m^3$ , including 9 million  $m^3$  of coniferous. The main reasons for the incomplete use of group I forests are the complicated felling rules, which are incompatible with modern technology and safety techniques. Also, they are not economically profitable for enterprises.

Reductions in the allowable cut in coniferous forests being exploited in the European part of the country are leading to overaging of timber stands and reduction in stand productivity. It would take more than 40 years for the present cutting rates in coniferous forests (0.86 percent of mature stands annually) to approach the normal area of mature forests -- 20 percent (they now reach 56.1 percent). What is more, the cutting would be primarily in overmature stands. At present cutting rates in coniferous forests the present reserves of mature and overmature stands would be exhausted in 65 years. This is more than enough time to implement continuous sustained yield forest use.

A careful attitude towards forests, including the creation of reserves, state forest belts, natural monuments, etc, has nothing in common with locking up resources. To improve forests' water retention, protective and other functions, upgrade their species composition and quality and to increase their productivity it is necessary to completely and promptly use mature and overmature stands and to harvest trees on time.

One of the forest sector's most important tasks is to implement the long term program of work in the European-Ural Zone, developed by USSR Minlesbumprom based upon decisions of the 27th CPSU Congress and the decree by the CPSU Central Committee and the USSR Council of Ministers "On Improving the Use of Forest Resources". In accordance with the "Basic Directions for the Economic and Social Development of the USSR during 1986-1990 and up until the Year 2000", the key points in this program provide for increasing the comprehensiveness with which wood is used, the creation of enterprises for forest reproduction, logging and wood processing. Organizational, technological and economic measures in this program are directed towards the complete economic use of local forest resources in regions where forest product use is concentrated, provide for stable logging and wood processing through reserves in main and intermediate forest utilization, pace setting

development rates for production operations thoroughly processing wood and making maximum use of low quality raw material and wood wastes.

The program gives great importance to improving the structure of forest use and increasing the comprehensive processing of wood. This is why it is necessary to thoroughly strengthen the potential of wood processing operations in order to more extensively use small-dimensional broad-leaved species and secondary resources.

A comprehensive targeted program for increasing the use of softwood, broad-leaved trees is now being developed in the sector. According to preliminary estimates, by 1990 their consumption levels in the European parts of the country will increase over 1985 as follows: for saw timber -- from 8.1 to 9.4 million  $m^3$ , in veneer production -- from 4.8 to 5.8 million  $m^3$ , in DSP [particle board] -- from 7.2 to 9 million  $m^3$ , DVP [Fiberboard] from 2 to 2.5 million  $m^3$  and in boxes -- from 3.5 to 4.4 million  $m^3$ . Wood processing enterprises are being rebuilt and reequipped to process these trees. In the 12th Five-Year Plan it is intended to build 16 sawmills producing lumber from broadleaved trees (capacity 20,000 - 40,000  $m^3$  each) and 17 small capacity particle board units (30,000 - 40,000  $m^3$  each). This will permit the use of logging wastes and low quality timber from forest management cuttings. It is intended to considerably increase the volume of the latter at newly created comprehensive enterprises. The creation of small capacity units is improving the supply of local demand for broadleaved timber and other construction materials and expanding the sphere of paid services available to the population in forest settlements.

There is a sharp increase in the consumption of softwood broadleaved timber to make paper by the bisulphate process and to make sulphate pulp. Units using broadleaved timber to produce a total of 700,000 tons of thermomechanically and chemical-theromechanically processed pulp and a shop to produce soluble viscous cellulose will be in operation. In general, by 1990, the use of broadleaved timber to produce cellulose, pulp and paper will increase by 1.0-1.5 million  $m^3$ .

There is another large reserve for expanding the European-Ural Zone's raw material base -- the use of secondary timber resources. In many regions with developed forest and wood processing industries (Arkhangelsk, Perm and Sverdlovsk oblasts and the Komi ASSR) the annual accumulation of wood wastes exceeds 20 million  $m^3$ , (of these 7.8 million are logging wastes and 12.3 million  $m^3$  are sawmill and woodworking wastes). Even in the forest-scarce Central region their annual volume reaches 8 million  $m^3$ .

Due to departmental fragmentation sawmill and woodworking wastes are scattered throughout numerous enterprises in other ministries and departments, complicating their use. Today USSR Minlesbumprom enterprises in the European part of the country use 90-95 percent of these wastes, while enterprises in nonspecialized ministries and departments do not use more than 25-50 percent of them. Therefore, it has become necessary to organize local centralized points for receiving woodwastes and building facilities to process them.

In accordance with the comprehensive program there will also be increases in the use of secondary resources during 1986-1990 and for the period up to 2000. These have been worked out by USSR Minlesbumprom. Their processing will increase from 34.0 million  $m_3$  in 1985 to 45.5 million in 1990. Chip production using secondary resources will increase from 10.5 million  $m_3$  to 16.0 million.

Large scale measures to increase the use of forest resources are also covered through joint efforts by the USSR State Committee for Science and Technology, the USSR Academy of Sciences, USSR Gosplan, USSR Minlesbumprom and the USSR State Forestry Committee. In particular, there are provisions to reduce (by 20 years) the age structure of aspen, birch and spruce stands in Group I forests in the Central Economic Region, to create a natural forest stand raw material base for chip production by shortening the cutting cycle, to examine proposals for reducing protection categories in Group I forests and to change the methods for cutting them, organize new comprehensive forest enterprises, etc. Because the allowable cut of softwood broadleaved timber in the European part of the USSR is annually underused by about 40 million  $m_3$ , it is intended to put into operation additional capacity for using it to produce lumber, wood, viscous cellulose and other products. It is also time to draw conclusions from experience in forest use in Group I forests and to work out appropriate recommendations.

Solutions to the diverse set of tasks in improving the use of forest resources requires more completely supplying enterprises with equipment for logging and processing wood. There is still no highly effective machinery for selective cutting, management cutting, collecting and transporting logging wastes, nor are there any completely equipped lines for producing 30,000 - 60,000  $m_3$  of particle board annually.

Increases in logging and wood processing require additional capital investments. These will be to a significant extent compensated for by reductions in transporting wood from the Asiatic parts of the USSR. The economic effect from realizing these measures is defined as the difference between total adjusted costs [privedenniy zatraty] for logging and hauling round wood from East Siberian regions and the costs of additional logging in the European part of the country through the more complete use of allowable cuts, reserves in Group I forests and intermediate forest use. According to data from VNIPIEIllesprom [All-Union Scientific Research and Design Institute for the Economics and Organization of the Management of Production and Information in the Timber, Pulp and Paper and Wood Processing Industry], total adjusted costs per cubic meter of additional timber logged in the European part of the country are 21.2 rubles, while in East Siberia they are 38.7 rubles. Also, the more complete use of local forest resources in the region reduces freight traffic on railroads. This is not only due to reductions in timber haulage from Siberia, but as a result of reductions in inter-oblast haulage within the European part of the country.

Forest use is part of social production. Therefore, its scientific and production basis should cover questions in forestry, forest exploitation, economics and timber supply and not be restricted to forestry considerations. Our country's forests are one of its main types of wealth. Operations in them



should have the maximum economic effect. The country's forest resources permit the complete satisfaction of the national economy's demand for wood products, especially in the European-Ural Zone.

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## STROYBANK CREDIT ROLE IN RESTRUCTURING EXPLAINED

## Bank's Role Expanded

Moscow FINANSY SSSR in Russian No 2, Feb 87 pp 13-21

[Article by V.I. Bukato, first deputy chairman of the USSR Stroybank Board: "Improving the Economic Mechanism in Construction and the Main Directions in the Restructuring of the USSR Stroybank's Economic Work"]

[Text] Increased effectiveness in investment activity is to play a very important role in implementing the strategic course of the party toward accelerating the country's socioeconomic development. The 27th CPSU Congress and the CPSU Central Committee June (1986) Plenum set the task of effecting a radical restructuring of the economic mechanism in this sector of the national economy, expanding the scales of construction and reducing the time spent on construction, creating economic interest on the part of all those involved in construction, insuring the commissioning of production capacities, projects and installations, housing and other social projects within normative time periods and reducing costs and materials intensiveness and labor intensiveness, and transferring the construction-and-assembly organizations to full cost accounting [khozraschet] and self-financing and extending the rights and enhancing the responsibility of construction workers for final work results.

During this five-year plan and in subsequent years a major restructuring will be effected in structural and investment policies. The volume of capital investments will total almost R1 trillion, growing 24 percent against the 11th Five-Year Plan. The volume of construction-and-assembly work will increase 25 percent. This kind of activation in investment activity is essential in order to effect a radical reconstruction of the national economy.

Here, the main emphasis will be shifted away from new construction and toward the technical retooling and modernization of existing enterprises and production facilities. By the end of the five-year plan expenditures for this purpose will have made up 50.5 percent of all capital investments, against 38.5 percent in 1985. Annual plans must include measures aimed at increasing the scales of reconstruction and retooling.

Decree No 970 "On Further Improving Management of the Country's Construction Complex" and decree 971 "On Measures To Improve the Economic Mechanism in Construction" issued by the CPSU Central Committee and the USSR Council of Ministers on 14 August 1986 are aimed at fulfilling the tasks set by the party. Along with the intensification of centralized leadership of the country's unified construction complex, these decrees outline an extension of the rights and independence of the construction-and-assembly organizations, a switch to contract prices agreed between client and contractor when projects are being constructed, and enhancement of the role of the contract procedure and the mutual economic responsibility of all those involved in construction for achieving the final results.

The decisions that have been made envisage the transfer of all construction workers to new management methods that are in line with present-day requirements for the accelerated development of production forces and improvement in production relations. The new economic mechanism for construction will insure unity with the economic mechanism in the sectors being serviced.

Starting in 1986 a consistent switch will be made to bring construction-and-assembly organizations to full cost accounting and self-financing. The foundation of economic activity should be that very important generalizing indicator and main source that insures development of construction organizations and the social development of the labor collectives, namely, profit.

The development and active use of money-exchange relationships is envisaged in construction. The new mechanism will insure unity of interest on the part of the labor collective and the state and will encourage the rational utilization of bank credit, higher profitability in production and timely accounting with the state. All of this will require that USSR Stroybank institutions effect a radical restructuring of their own activity in the field of funding, loans and accounts with capital construction, and a higher level of economic and engineering-monitoring work in all elements so that with the aid of the financial-and-credit and accounting mechanisms they can actively promote successful fulfillment and overfulfillment of planned capital construction tasks by associations, enterprises, construction clients and the contract organizations, and create the proper economic interest on the part of all those involved in construction in insuring the commissioning of production capacities and social and cultural projects strictly in accordance with the normativ time periods set for their construction.

The procedure established for funding, loans and accounting in the construction sphere envisages uninterrupted funding for capital investments in construction on the basis of an unchanged itemized list for the entire construction period, compiled taking into account the norms for the duration of the construction and within the limits of estimated cost. Construction projects earmarked for completion in the current or next year, and also projects being carried out using sets of imported equipment and on a compensation basis will be funded by the bank within the limits of the annual allocations regardless of the breakdown by quarters.

In order to enhance the responsibility of enterprises and organizations that have switched to the new management conditions for the efficient use of assets allocated for capital construction, starting from 1987 funding for state capital investments will be arranged as follows:

--for the construction of new enterprises and expansion of existing enterprises and other production projects whose itemized lists are confirmed by the USSR Council of Ministers or the USSR Gosplan, or with their agreement, funding will be through clients own assets and budget allocations, while for other production construction sites it will be through clients' own assets;

--for retooling and reconstruction of existing production facilities funding will be through the production development fund;

--for nonproduction projects funding will be through the fund for social and cultural measures and the housing construction fund and the assets of other similar funds and budget allocations.

If there is a lack of assets for these kinds of expenses, funding for capital investments will be arranged through bank loans.

Thus, under the new management conditions, expenditures connected with expanded reproduction will be made by the enterprises through earned assets and bank loans.

Because of this, the role of bank institutions will be enhanced in forming funding sources. On the one hand it is essential to insure the timely and full mobilization of enterprises' own assets, while on the other, there must be efficient use of bank loans and the repayment of loans within the time frame determined. Preliminary calculations show that the proportion of bank credit in funding sources of capital investment for production construction alone should grow substantially in 1987.

It is intended to reduce significantly the number of documents required to make funding available for projects through state centralized capital investment. At present, in order to obtain the funding the client must provide the bank with an itemized list for the construction site and copies of the summary estimated costs of construction and of the contract with the contractor.

In cases in which an enterprise or association is making capital investments through the economic incentive fund, in order to make funding available it provides the bank with a copy of the plan for retooling and of the estimates for individual projects and expenses; and when the loan is obtained, it provides a calculation of the economic effect to be derived from the planned measures.

It is important to note that funding for construction must be arranged before the start of the plan year.

The USSR Stroybank institutions have gained considerable experience in monitoring the compilation of draft plans for capital construction. It is

precisely at this stage that the results of analytical work done by the bank throughout the year on the use of existing production capacities and the assimilation of commissioned production facilities and projects are most fully realized. For example, during work on the draft plan for 1987 a number of ministries and departments failed fully to take into account reserves from increased industrial output achieved primarily through acceleration in the commissioning of newly introduced production capacities and improving the shift coefficient for equipment taking into account the experience gained in Leningrad and Chelyabinsk oblasts in switching associations (or enterprises) to two- or three-shift operations. According to the figures from the studies, about 57 percent of enterprises commissioned in recent years have exceeded planned prime costs, and many of them have even sustained losses.

The national economy is being forced to spend considerable additional resources, including capital investments, to make up for the decline in the output-capital ratio in a number of the industrial sectors. A decline in the output-capital ratio is often the result of shortcomings in design decisions and the use of equipment that is not in line with present-day requirements. Even the reconstruction designs for some enterprises provide for extremely low technical-economic indicators. For example, before the start of reconstruction at individual enterprises studied the output-capital ratio was R1.21, but only R0.84 three or four years later.

It appears advisable to review the question of introducing a procedure under which enterprises and associations would provide the financial organs with an account of the rate at which planned capacities, labor productivity, profit and output prime costs are being achieved. Experience in this kind of monitoring has been gained in the GDR.

All those involved in the investment process must resolve a complex economic task, namely, from 1987 transferring to providing funding and construction of construction sites and projects strictly in accordance with normative time periods. The amount of construction underway must be sharply reduced for this.

Despite the steps taken to limit new construction a significant proportion of state capital investment is still being used to create new production capacities and fixed capital. Whereas in 1982 the proportion of capital investments allocated for the construction of new enterprises and expansion of existing enterprises was almost 62 percent of the total volume of production construction, in 1986 it was reduced only 8 points.

In line with CPSU Central Committee and USSR Council of Ministers decree No 328 issued on 13 March 1986, USSR Stroybank institutions together with the ministries and departments are working to single out the construction sites and projects that it would be advisable to stop or temporarily halt so as to free up resources for the most important construction sites. According to USSR Gosplan and USSR Stroybank calculations, overall some 25 percent to 30 percent of ministry and departmental construction sites and projects carried through to 1987 should be halted.

In late 1986 it was proposed that for 23 industrial ministries funded by the USSR Stroybank only 15 percent of the total number of construction projects be stopped or temporarily halted. Even where this work is being better organized (the USSR Ministry of the Timber, Pulp and Paper, and Wood Processing Industry, the USSR Ministry of Construction, Road and Municipal Machine Building, the USSR Ministry of Chemical and Petroleum Machine Building, and the USSR Ministry of the Machine Tool and Tool Building Industry) the steps taken are not insuring the transfer to the construction of projects within the normativ time periods.

This work is not being carried out actively enough by the USSR Ministry of the Petroleum Refining and Petrochemical Industry, the USSR Ministry of Instrument Making, Automation Equipment and Control Systems, and the USSR Ministry of Machine Building for Animal Husbandry and Fodder Production.

The tasks set by the party and government cannot be resolved without a radical improvement in the technical-economic level of projects.

The CPSU Central Committee June (1986) Plenum noted the unsatisfactory work of the union republic ministries and councils of ministers in reviewing project-estimates documentation for construction sites in the 12th Five-Year Plan and made it incumbent upon them to carry out a second expert review of all projects. Up to now, however, about 70 percent of the construction sites have not undergone a second expert review and in many cases it is intended to continue the construction using the old project-estimates documentation. By the end of 1986 it had been decided to stop work at only 128 construction sites.

Things are particularly bad with reviews of documentation in the USSR Ministry of Tractor and Agricultural Machine Building where no second expert review has been carried out for any of its 74 projects; and in the USSR Ministry of Light Industry, where this figure is 87 projects; and in the USSR Ministry of the Automotive Industry, where a second expert review has been conducted only for 25 projects (out of 81). This work is also lagging in the USSR Ministry of Construction, Road, and Municipal Machine Building, the USSR Ministry of Mineral Fertilizer Production, the USSR Ministry of the Chemical Industry and certain other ministries.

There are ministries in which tasks have not even been passed to the design institutes for review.

The programs for the retooling of many enterprises must also be reviewed as soon as possible. Retooling costs are constantly growing but the efficiency of some enterprises remains extremely low.

Take, for example, the USSR Ministry of Machine Building for Light and Food Industry and Household Appliances Moscow Refrigerator Plant, where 58 percent of metalworking equipment has been in use for 10 years or more while the 5-year retooling plan makes no provision at all for replacing or modernizing the obsolete equipment. Moreover, it is planned to acquire obsolete models of machine tools. As a result, the output-capital ratio will fall only 10

percent and a 1-percent profit growth will be gained, while the payback time for the capital investment is about 9 years.

Under the guise of reconstruction many enterprises are essentially carrying out new construction involving large volumes of construction-and-assembly work (more than 61 percent), which is about 1.5 times greater than for production construction as a whole. The calculations show that if when working on projects for enterprise reconstruction this work is reduced to the average level it would be possible to achieve an annual saving of R2.5 billion to R3.2 billion.

It is essential to activate control over engineering services at the banks during project review. The sector administrations of the USSR Stroybank and the republic offices must strictly monitor ministry and department compliance with the schedules for completion of work on the expert examinations and reviews of projects for new construction, and also for reconstruction and retooling, and must prevent any merely formal approach to their evaluation.

In the USSR Stroybank institutions this work must be carried out in direct coordination with the preparation of proposals to reduce the amount of construction because what is needed first and foremost is to halt construction sites and projects for which the technical decisions have now become obsolete.

When dealing with the question of project review, speaking at a meeting of the Khabarovsk Kray party organization comrade M.S. Gorbachev said that "... everything that does not come up to the present level must be halted, because if we now go ahead and complete projects in which lagging will be inherent and still build them, just imagine what this means: we will build in lagging for 15, 20 or 25 years."

In order further to extend the rights of the union republics and enhance their responsibility for the construction carried out on the territories subordinate to them and insure the commissioning of production capacities and projects within planned time periods, the contract organizations have been transferred from the union republic ministries of the USSR construction ministries to the direct subordination of the union republic councils of ministers. Now the entire program for the activities of the contract organizations, including work for construction sites of all-union subordination, will be shaped directly in the republics.

Under these conditions the responsibility of specialists in the republic offices of the USSR Stroybank is being enhanced with regard to the correctness of the draft plans not only for local construction projects but also those of the all-union ministries and departments. Here, it is important to insure that the plan includes allocations that match the the volumes of work being done and the norms for the duration of construction.

Analysis of drafts for itemized lists from a number of all-union ministries and departments shows that this requirement is not being observed everywhere when agreeing the 1987 work volumes with the contract organizations. Thus, about 20 percent of the proposed itemized lists submitted to the USSR Stroybank by early December 1986 could not be accepted for funding because the

capital investments and volumes of construction-and-assembly work were not in line with the norms. For example, 44 itemized lists were returned to the USSR Ministry of the Electrical Equipment Industry, 7 to the USSR Ministry of Construction, Road and Municipal Machine Building, 71 to the USSR Ministry of the Timber, Pulp and Paper, and Wood Processing Industry, 33 to the USSR Ministry of the Construction Materials Industry and so forth.

It is essential to make a decisive change in the attitude toward reducing the range of construction. USSR Stroybank institutions should not take on the funding of a single construction site if the limits for capital investments and construction-and-assembly work are not below the volumes required to complete the work within normativ time periods.

In order to insure the commissioning of production capacities, and also social projects, within planned periods, provision has been made for a system of measures to exert economic influence. In particular, if the time periods for commissioning are not maintained provision has been made to levy from the clients up to 3 percent of the cost of the fixed capital not commissioned, to be paid into state revenue, while the contract construction-and-assembly organizations will be levied up to 3 percent of the value of the construction-and-assembly work for production projects not commissioned.

It should be emphasized that clients' (existing enterprises') costs connected with the levying of these amounts relate to the results of their economic activity, while for new construction the levy is imposed on the centralized funds and reserves of higher organs of economic management. The costs to contract organizations associated with nonfulfillment of tasks to commission capacities and projects relate to the results of their economic activity. The USSR Ministry of Finance, the USSR Stroybank and the USSR Gosbank have established a procedure to extract payments for untimely commissioning.

It is necessary to effect a radical restructuring of bank control over observance of contractual relations. Strengthening these relations is a very important direction in improving the economic mechanism in construction, while the contract for capital construction should become the main document regulating the relations between clients and contractors and defining their mutual responsibilities for the entire period of construction of new enterprises and the expansion, reconstruction or retooling of existing enterprises and projects for the fulfillment of state plans for the commissioning of production capacities and social projects within the normativ time periods.

The bank institutions will fund construction only if the contracts contain appendices defining the schedules for construction-and-assembly work on a project as a whole, broken down by years and proceeding from the normativ time periods for construction, and the annual tasks for the plan year broken down by quarterly targets for complexes nearing completion, the technological stages, and individual projects and construction projects.

The contract is also the basis for providing loans to contract organizations for temporary needs, and also for loans to cover costs of uncompleted work,



amounting to 5 percent of the cost of the project, before final settlement of account with the client.

One very important direction in bank activity should be the strengthening of its influence on consolidating cost accounting in construction.

The prerequisites for solving this very important national economic task have been created. In 1986 contractors and clients allocated R8.5 billion of budget assets to repay loan debts taken previously by the construction people to make up the shortfall in their own circulating capital and by clients to pay loan debts. The contract construction-and-assembly organizations allocated their own circulating capital to cover the costs for uncompleted production amounting to 10 percent of the annual work volume, which is more than R8 billion.

Under the conditions of intensifying the role of the contract system bank credit is becoming an important lever in providing incentive for the timely commissioning of production capacities and construction projects. Thus, if the quarterly plans envisaged by contract agreements are not fulfilled (cumulative from the start of the year) with regard to technological stages and sets of work on given projects, the clients do not make payments and they are not included in the accountability reports for fulfillment of the plan for contract work until the lagging has been made up. In order to cover the costs involved in uncompleted production the bank has the right to extend credit to the contract organizations. When this is done the loan repayment time and the time to make up the lagging should not usually exceed 60 days. If necessary the bank manager may extend the loan repayment time, but not by more than 30 days. The bank charges 2 percent interest for use of the loan, and if obligations with regard to making up lagging are met ahead of time the interest rate for the contract organizations is reduced to 1 percent.

Thus, the influence of the bank will be exerted not after the planned period for commissioning of a project expires but during the course of the construction-and-assembly work.

The bank may also extend credit to a contractor for costs not paid by the client for construction sites and projects nearing completion up to an amount of 5 percent of the cost, before completion of the work and the confirmation issued by the state commission. Loans will be made on the condition that the remaining 5 percent of the work to be done is completed within the planned period for the construction. In this case the bank extends credit at an interest rate of 0.5 percent annually.

The contract organizations will also be extended other forms of credit in the form of loans for supplies of materials and to pay suppliers when they are experiencing temporary cash-flow difficulties, and, in individual cases, to pay wages and so forth.

It is important to emphasize that the credit mechanism makes it possible to use a differentiated approach. Organizations that are working well and meeting their contractual obligations will be offered significant concessions and incentive, and contrariwise, organizations that fail to meet their

contractual obligations will carry additional costs (increased rates for loans, and fines). This approach is fully in accord with the spirit of cost-accounting activity and should be observed undeviatingly by the bank institutions.

In order to strengthen financial-and-credit influence over the results of work by contractors and clients the bank institutions must effect a cardinal improvement in their economic work. In-depth analysis of the economic and financial activity of the contract organizations is essential in order to seek out reserves for efficiency, reduce prime costs and improve profitability.

Steps taken in line with the CPSU Central Committee and USSR Council of Ministers 29 April 1984 decree No 387 have made it possible to achieve definite positive results.

Thus, compared with 1984, in 1985 there was a reduction in the number of contract organizations operating at a loss, and for the first 9 months of 1986 the profit plan for the construction-and-assembly organizations (for the range covered in the plan for economic and social development) was fulfilled 104.3 percent.

The number of organizations still operating at a loss, however, is still great.

As at 1 October 1986 in the USSR Ministry of Construction in the Northern and Western Regions of the USSR the number of contract organizations operating at a loss was 19 percent of the total; in the USSR Ministry of Construction in the Southern Regions of the USSR the figure was 23 percent, in the USSR Ministry of Construction in the Urals and West Siberia Regions of the USSR 18 percent, and in the USSR Ministry of Construction in the Eastern Regions of the USSR, 26 percent. Many organizations have very low profitability.

Given this kind of situation they are unable to operate on the principles of cost accounting and self-financing. Therefore, the economic services of the ministries and departments and the main administrations and trusts must immediately act to include all reserves in production and thus create a foundation for transferring to self-financing. The institutions of the USSR Stroybank must help the contract organizations to set up economic work.

Strengthening cost-accounting relations in construction and enhancing the economic interest of those involved in the investment process in reducing the cost of construction should help in the transfer, from 1987, to accounts between contract organizations and clients on the basis of contract prices for construction.

Considerable restructuring is required in the organization of engineering-monitoring work done by the USSR Stroybank institutions. Accounts between client and contractor will be conducted on the basis of an unchanged contract price and it is therefore necessary to insure more careful checking of the technical-economic indicators at construction sites and the correct determination of construction costs. This work must be done primarily at the stage when the technical-economic statement, the technical-economic schedule

or the project is drawn up, and before its confirmation, that is, during the period when the contract price is set.

Engineering monitoring by the bank should be directed toward further reducing construction costs. It is essential to study all cases in which the estimate costs of projects rise and take steps to eliminate the causes of unjustified increases.

In connection with the switch to contract prices in construction it is essential in the very near future to resolve questions concerning so-called "favorable" funding. About 200 construction projects costing more than an estimated R45 billion and more are being funded under favorable terms. Resolution of this question should not be delayed beyond 1 July 1987 because the lack of proper documentation will act as a brake for the switch to contract prices.

The main directions for the economic and social development of the USSR for 1986-1990 and through the year 2000 envisage an 8- to 15-percent reduction in the use of material resources in construction. This is possible with a switch to mass use of progressive, comprehensively planned decisions and building schemes and lightweight and highly efficient building structures, articles and materials. In terms of the technical level in construction great importance attaches to precise and timely compliance with the CPSU Central Committee and USSR Council of Ministers 15 August 1985 decree No 776 "On Further Developing Industrialization and Improving Labor Productivity in Capital Construction," which sets forth an extensive program for renewal of the material-technical base in the sector and for supplying construction with efficient structures, articles and materials.

At the same time the tasks set for 1986 for ministries and departments have been underfulfilled. The institutions of the USSR Stroybank are still not active enough in monitoring this and are timid in applying measures of financial-and-credit influence against clients and contract organizations that fail to meet targets for building up the production base in construction.

The more extensive use of economic standard designs in the construction of social and cultural and everyday projects should help in successfully resolving the task of increasing industrialization. This will make it possible to reduce labor costs and the duration of construction by one-third and cost by almost 10 percent, and to achieve significant savings of metal and fuel and energy resources.

One task for engineering monitoring is to help in eradicating the practice whereby the construction part of projects has for many years been done using virtually the same technical solutions, with the orientation on the use of obsolete structures and materials. Work on and implementation of measures in this direction will help greatly in reducing materials intensiveness and project construction time.

Under conditions of extensive retooling in the sectors of the national economy and the considerable increase in the proportion of capital investments allocated for the creation and renewal of the active part of fixed capital,

the role of bank monitoring of the acquisition of equipment for construction sites has grown substantially.

Considerable reserves exist here for improving the results of bank monitoring of the purchase and use of equipment. Payment for such equipment is sometimes made automatically, and no analysis is always made of opportunities for its timely assembly, as a result of which the latest equipment sometimes sits in the warehouse facilities of the construction sites; and this includes imported equipment.

Checks show that monitoring of equipment by the bank offices in the Bashkir Republic, Bryansk Oblast and a number of other administrative regions is poor.

In July 1986 the USSR Stroybank Board demanded that all its institutions significantly improve this work. It was proposed that together with clients a review be conducted at each construction site to find out what equipment had been left in disuse for long periods of time, and to outline specific time periods for its use or to propose that it be transferred for the purposes of retooling.

Neither must control must be be relaxed over the safekeeping of equipment that is in the warehouse facilities at construction sites, particularly imported equipment. It is important that storage conditions be in accordance with technical specifications or the conditions agreed by contract. In cases in which instances of mismanagement or waste are found payment for equipment must be immediately stopped and materials on the check passed to an investigating organ.

Extensive introduction of the collective contract is an important method for restructuring the sector and improving the economic mechanism. This insures the development of self-management, activation of the human factor, and enhanced economic interest and responsibility on the part of the labor collectives and of each worker in achieving the final goal--insuring the commissioning of projects within set time periods, with high-quality work, minimum labor input and minimum use of material-technical and financial resources.

A total of 18 trusts and more than 400 of the administrations and construction-and-assembly organizations on the same footing have been transferred to this progressive method. Compared with the corresponding period in the previous year, during the first half of 1986 labor productivity in those organizations rose 9.6 percent while average wages increased 4.4 percent.

The advantages of the collective contract have been seen most graphically in the "Mosoblstroy" No 18 under the Main Administration for Construction Work in Moscow Oblast. The work experience gained by this collective was recently approved by the CPSU Central Committee and recommended for introduction everywhere. In 1985, using fewer workers the trust collective insured the commissioning of capacities and projects, overfulfilled the plan for volume of contract work, achieved a 25-percent improvement in labor productivity, and

made almost R1.5 million of profit. Previously the trust had been operating at a loss.

Together with the apparatus of the No 18 Construction Trust the Moscow Oblast office of the USSR Stroybank is continuing the search for new opportunities to bring available reserves into production.

In October 1986 the USSR Gosstroy, the USSR State Committee for Labor and Social Problems and the AUCCTU Secretariat confirmed basic provisions on the use of the collective contract in construction. The essence of this method lies in providing incentive for collective and individual labor strictly as a function of final work results as determined in the contract agreements for capital construction. The labor collectives are guaranteed funds for wages, paid for a stable 5-year period (differentiated by year) from the total wage normativ for workers regardless of their actual numbers.

The USSR Stroybank has obliged all its institutions to participate directly in activity to transfer construction organizations and trusts and organizations equivalent to them to the collective contract system and cost accounting, providing the help needed for this.

The 27th CPSU Congress set the task of insuring by the year 2000 that each Soviet family will have a separate apartment or well-appointed house. In order to resolve this task it will be necessary to provide up to 18 square meters of living space for each person. The need is arising to build up the rates at which housing is commissioned compared to production construction, because over the past 15 years a considerable proportion of the production capacities commissioned have suffered from manpower shortages because of the lack of housing. For this reason alone, annual losses of industrial output at the range of enterprises studied amounted to several billion rubles.

Already in the 1987 plan about 10 percent of the volume of construction-and-assembly work in production construction has been used for nonproduction purposes. Thanks to this housing construction has been significantly increased. Assets belonging to the population make up one of the funding sources for housing construction. The proportion of cooperative housing construction will rise to 12 percent of the total volume of housing construction.

One major reserve could be at least halving the volumes of housing construction for individual projects, and also switching all large-panel housing-construction enterprises to produce up-to-date, more economical housing using new designs. Finally, in some parts of the country barriers must be erected against the unjustified withdrawal of housing; this will make it possible to make annual savings of considerable assets that today are being spent to replace demolished housing.

One very important task for all those involved in the investment process is to insure fulfillment of tasks for the construction of social projects. In 1986 the USSR ministries and departments and the union republic councils of ministers implemented certain measures aimed at raising the level of plan tasks fulfilled during the first 9 months of the year.

During the period January through September, using state capital investments housing with a total floor area of 50.5 million square meters was commissioned, which was 4.9 million square meters more than during the corresponding period in 1985.

Taking into account the thrust of plans for our country's economic development during the 12th Five-Year Plan, all USSR Stroybank institutions must improve the monitoring of the course of construction of social projects. This control must cover all stages of the investment process. When plans are drawn up for capital construction, capital investments must be allocated strictly according to the norms and planned for rhythmic work throughout the year in the use and concentration of material resources and manpower during the course of construction, and insuring the timely commissioning of high-quality work.

One way of achieving this could be a switch everywhere to construction according to designs and estimates agreed between client and contractor, and the handover of turnkey projects.

During the radical restructuring of economic, engineering-monitoring and current-accounts work it is essential to make more extensive use of opportunities to automate data acquisition and processing. Computer centers are functioning in the republic and the major oblast offices. Further expansion of the network of computer centers is planned, along with a transfer to up-to-date and more powerful computers that will insure the creation of a unified computer network and real-time data processing.

Today, about 85 percent of current-account and economic data are processed by the banks with their own computers or with rented equipment. In the Belorussian, Lithuanian and Estonian republic offices, the Moscow and Kiev city offices and the Leningrad, Novosibirsk, Voronezh, Nikolayev and other oblast offices economic and current-account data are being processed completely on computers.

During the current five-year plan the task is to raise the level of automated processing for economic data, and also the quality and reliability of data acquisition and the analytical level in their processing.

Making more efficient use of data passed by the computer centers to the bank institutions for control work remains a serious problem.

The switch to the intensive path of development in our country's economy requires from each specialist in-depth knowledge and selfless labor on his own sector of work. M.S. Gorbachev has noted that "our transformations and reforms as planned in the decisions of the CPSU Central Committee April Plenum make up a real revolution throughout the entire system of relations in society, in the hearts and minds of people and the psychology and understanding of the present period, first and foremost the tasks born out of rapid scientific and technical progress."

The USSR Stroybank Board has outlined an integrated program for personnel retraining. Most attention has been paid to studying the tasks now facing the

institutions of the USSR Stroybank stemming from the decisions of the 27th CPSU Congress.

It was emphasized at the congress that the bank organs are obliged to be on guard over state interests and at the same time help in every possible way to develop initiative and enterprise among the labor collectives.

It is important that bank specialists have a good knowledge of the main provisions of the new management system in industry and of the economic mechanism in construction so that they are imbued with the desire to achieve the greatest possible return from each ruble invested.

Bank economists and engineers must have the skills to safeguard the interests of the state and of society, and to seek out and find new ways to improve the effectiveness of capital investments. All this will help in the successful implementation of the course toward acceleration.

#### Further on New Conditions

Moscow EKONOMICHESKAYA GAZETA in Russian No 13, Mar 97 pp 14-15

[Article by B.I. Bukato, first deputy chairman of the USSR Stroybank Board: "The Bank under the New Conditions"]

[Text] The dynamic development of production forces under the conditions of the all-around perfection of socialism and the new structure and investment policy proclaimed by the 27th CPSU Congress are imposing qualitatively new demands on the construction complex. The task has been set: to at least halve the length of the investment cycle, reduce costs and improve quality in construction, and obtain the greatest rise in output and national income per ruble of expenditure. From 1987 a transfer to the construction of enterprises and projects strictly within standard time periods will be effected.

The decrees issued in August 1986 by the CPSU Central Committee and USSR Council of Ministers on improving management in the construction complex and on the economic mechanism in construction are aimed at fulfilling the tasks set by the party. Along with the strengthening of centralized leadership of the country's unified construction complex, the decrees envisage an extension of the rights and independence of construction-and-assembly organizations, a switch to agreement between the client and contractor on contract prices for the construction of projects, enhancement of the role of the contract system, and mutual economic responsibility on the part of all those involved in construction for achieving the final results.

The Role of Credit Is Growing.

In the new mechanism a particularly important role is played by the rational use of bank credits, improved profitability in production, and timely settlement of accounts with the state.

Recent party documents have rightly noted that the influence of the financial-and-credit mechanism on efficiency in the economy has weakened and credit has lost its true importance. The 27th CPSU Congress pointed to the need for radical change in the style and methods of work by financial-and-credit organs.

In this connection, a radical restructuring of activity is taking place in the institutions of the USSR Stroybank.

We are proceeding from the premise that the task for the bank institutions is not some minor regulation of enterprise activity but effective economic incentive and the consolidation of cost accounting, which is also the best controller. It is precisely the bank, via the financial-and-credit and accounting mechanisms, that is called upon to provide active help in fulfilling tasks in capital construction.

The funding, loan and accounts system has been significantly restructured. A new procedure has recently been drawn up for the financing of construction sites and projects, providing for uninterrupted work on the basis of unchanged itemized lists covering the entire period of construction, compiled with due consideration of the norms for the duration of construction and within the limits of the estimate costs for projects. Construction sites that it is planned to commission during the current or following year, and also projects using sets of imported equipment, are funded by the bank within the limits of the annual allocations, regardless of the quarterly breakdown.

In order to increase interest on the part of enterprises and organizations that have switched to the new management conditions, and in the interests of making efficient use of funds allocated for capital construction, it is envisaged that starting from 1987 retooling and reconstruction at existing enterprises will be financed only through the production development fund. For nonproduction projects, financing will come from assets in the fund for social and cultural measures and the housing construction fund. If private funds for these purposes are inadequate, permission has been granted for the bank to extend credit. Here, the number of documents submitted to the bank in order to release credit for projects has been significantly reduced. For example, when paying for work out of the development fund, instead of seven documents it is necessary to submit only two when operations are being conducted using the economic method. This will considerably simplify the release of credit for financing and relieve enterprises of a great deal of paperwork.

The new economic mechanism provides for measures to exert profound economic influence on those involved in the investment process in order to insure the commissioning of capacities and projects within planned periods. If the planned periods are violated the client is levied a sum up to 3 percent of the cost of the fixed capital not commissioned, which sum is paid into the state budget; the contract construction-and-assembly organization is subject to a levy equivalent to up to 3 percent of the cost of the construction-and-assembly work on production projects not commissioned.



It should be said that in general the role of the client in the investment process is being enhanced. Thus, for example, the client has started to pay the construction organizations on a monthly basis for contract work completed according to the contract price. Here, he monitors the course of fulfillment of the work as determined by the contract. If the quarterly plans (the cumulative result from the start of the year) for technical stages and sets of work are not fulfilled the client has the right to withhold payment, and this work is not included in the accountability reports of the construction organizations.

#### If an Enterprise Is Self-Financing...

Profound changes are taking place in the relations between the bank and enterprises operating under the conditions of full cost accounting and self-financing. As is known, these enterprises insure scientific and technical and production development and the social development of the labor collectives using the assets that they themselves have produced.

Late last year the Stroybank confirmed procedure for funding capital investments under conditions of full cost accounting and self-financing. The center of gravity in the bank's economic work is being shifted directly to the bank institutions providing the funding, and they must change their methods of operation. Now their main task is to seek out jointly with the enterprises ways to make rational use of the assets they produce and insure the greatest effect from retooling measures.

To this end the funding rights of the bank institutions have been significantly expanded in terms of their participation in the compilation of load plans, particularly for enterprises at which it is intended to effect retooling or expand existing production facilities when the estimated cost is up to R6 million. When extending credit for such measures the bank institution will be guided by criteria such as guarantees for payback on capital investments within the average normativs for the sector and implementation of proposed measures for increasing production capacities without increasing the numbers of workers. Special attention is being paid to loans to expand output for export.

One new direction in credit policy is to extend long-term credit greatly for shared construction of housing and other nonproduction projects.

The procedure for structuring loans has also been significantly simplified. Thus, loans to implement highly effective retooling measures to R1 million above the limits for state capital investment are now being offered with the permission of the bank manager; the permission of the chairman of the USSR Stroybank Board must now be sought only for loans above R1 million.

Thus, long-term bank credit, which in recent years has been underestimated in providing funding for construction, now takes its rightful place in the system of cost-accounting relations between enterprises and the state and is becoming an active factor in the investment process, promoting acceleration in the introduction of the achievements of scientific and technical progress.

Strictly within Normativ Time Periods.

Under conditions of production intensification on the basis of accelerated scientific and technical progress, the switch to the completion of construction sites and projects within normativ time periods is acquiring exceptionally great national economic importance. In order to achieve this the amount of construction in progress must be reduced.

With the present rates and amounts of construction work, the lead time for the commissioning of all the construction sites now being worked on would be more than 6 years, and for some ministries this figure is 9 years. In order to commission projects within normativ time periods it is necessary to reduce the number of projects and cut their estimated costs 25 to 30 percent. At the same time, up to now the ministries and departments have made decisions temporarily to halt work on 20 to 22 percent of existing construction sites; this is not enough.

The reluctance on the part of ministries and departments to halt work at their own construction sites is affecting the compilation of plans for capital construction and impairing their quality. This work has been held up excessively in the USSR Ministry of Power and Electrification, the USSR Ministry of Ferrous Metallurgy, the USSR Ministry of the Construction Materials Industry, the USSR Ministry of the Automotive Industry, and the USSR Ministry of Power Machine Building.

Things are no better with some of the union republics. As at 1 January 1987, itemized lists for republic and local construction projects submitted to institutions of the USSR Stroybank stood as follows: the Turkmen SSR 46 percent, the Georgian SSR 33 percent, the Kirghiz SSR 66 percent.

But these are itemized lists for construction sites carried over into the 12th Five-Year Plan and formulated by the ministries in disregard of the demands of the CPSU Central Committee and USSR Council of Ministers on the allocation of capital investments strictly in line with the norms for the duration of construction. For this reason virtually one in four of the itemized lists was not accepted for funding and was returned for further work. However, even after they had been submitted for a second time to the USSR Stroybank, some itemized lists did not allocate the necessary capital investments for the duration of construction according to the norms. For this reason they were again rejected.

Thus, we refused to fund the itemized list for construction of coking installations at the Bagleysk Coking and Chemical Plant under the USSR Ministry of Ferrous Metallurgy for which the Ukrainian SSR Ministry of Construction had accepted a 1987 volume of construction-and-assembly work to the tune of R6.2 million instead of the R12 million according to the norm. The same picture was seen in the construction of the Arkhangelsk Pulp and Paper Combine under the USSR Ministry of the Timber, Pulp and Paper, and Wood Processing Industry. In order to complete construction within the normativ time period more than R14 million would be required, but the general

contractor (the USSR Ministry of Construction in the Northern and Western Regions of the USSR) accepted only R6 million.

In all, we rejected more than 200 itemized lists for funding. The capital investments freed up will be allocated to make up uncompleted work from last year and the rest for the construction of housing and other social projects.

It should be noted that contract ministries are allowing serious violations in drawing up programs for contract work and agreeing the limits of construction-and-assembly work for sites with the clients. Everyone knows that henceforth it is prohibited to agree plans for contract work if they do not match the itemized lists for the construction sites. However, it often happens that the construction people accept for fulfillment volumes of construction-and-assembly work that are significantly less than that envisaged by the norms for the duration of construction. Cases of this kind have been revealed at many construction sites in machine building, the construction materials industry and the construction industry, light industry and other sectors. This practice must be decisively halted!

#### A Barrier against Obsolete Projects.

Proceeding from the requirements of the new investment policy, one of the most important elements in the restructuring of activity carried on the the USSR Stroybank and its institutions is that now funding and loans for the construction of new enterprises and expansion, reconstruction and retooling at existing enterprises are provided on the condition that project technical-economic indicators are based on advanced and highly effective technical solutions and insure a sharp increase in labor productivity and the output-capital ratio, reductions in material-, energy- and labor-intensiveness in production, and reductions in the time taken to build up production capacities and recoup costs.

With respect to obsolete projects, funding for these construction sites is being suspended. Clients must review project documentation and introduce the necessary changes, taking into account the latest achievements of science and technology.

At a meeting of the party aktiv in Khabarovsk Kray, Comrade M.S. Gorbachev emphasized that if we now go on to complete projects in which lagging has been built in we shall continue to lag for another 15, 20 or 25 years.

Bank specialists are actively involved in reviewing and clarifying construction projects for the 12th Five-Year Plan, displaying principledness and a firm attitude. This will significantly accelerate things. For all reviewed projects in which a low level is found for its technical-economic indicators, and ineffective technological and architectural construction solutions the bank and its institutions have on an immediate basis raised the question for ministries and design organizations regarding further work on such projects. Positive results obtained in the review of a number of projects have disproved the opinion formerly held that it is impossible to achieve significant improvement in the documentation in a short time.

At the same time, not all ministries and departments have organized this work well. Many ministry leaders are failing to display the necessary exactingness and principledness.

Thus, for example, the USSR Ministry of Tractor and Agricultural Machine Building "confirmed" a high technical-economic level for the design for the first phase of construction at the Karagandaselmash Plant. In fact, the design envisages a significant decrease in the the main technical-economic indicators even against the level current in the sector at the start of the 10th Five-Year Plan! In particular, annual output per unit of production area is 2.5 times lower than this level, and the output-capital ratio is 1.5 times lower. The payback time is twice as long as the normativ time.

The Ministry of the Electrical Equipment Industry has confirmed a design for the construction of the Dzhizak Electrotechnical Plant in which even obsolete solutions have been incorporated. For example, it is planned to install at the plant 46 resistance furnaces that will need about 360 people to service them, even though the scientific research organizations in the sector together with institutes of the Ukrainian SSR Academy of Science have developed new types of furnaces that make it possible through mechanization and automation of loading and unloading and materials recovery operations to improve labor productivity and reduce the numbers of workers.

Unfortunately, many such examples could be cited. About half of all designs checked bear no comparison with the main technical-economic indicators of similar foreign designs or individual progressive indicators for the corresponding sectors of the national economy or the accountability figures for leading enterprises.

Here it is important to emphasize that according to an evaluation carried out by the USSR State Committee for Science and Technology the main "progressive" indicators drawn up by many ministries for the technical level of production lag far behind present-day requirements and cannot be used as a criterion for the real quality of these designs.

Some ministries have virtually reduced the matter to a merely formal confirmation of old designs without really examining them. In other cases the review is carried out only with a view to reducing the estimated costs of construction, and sometimes in an unrealistic way because the documentation does not include the project construction costs without which normal operation of the future enterprises will be impossible.

In our opinion, work to review designs cannot be considered as complete. Losing no time, it is essential to continue so that the plants constructed during the 12th Five-Year Plan will be at the level of the present-day requirements of science and technology. This will represent good work done in advance for realization of plans to develop the country's national economy through the year 2000.

## The Contract System: Incentives and Sanctions.

Under the new management conditions in construction the basic document regulating relations between clients and contractors will be the contract for capital construction.

In December of last year the USSR Council of Ministers confirmed new rules for the contract system, providing for a significant increase in the material liability of each of the parties for meeting their obligations. Accounting and loans are becoming powerful incentives in strengthening contractual relations. The loan account and financial relations between the bank and the contract organizations have been made dependent directly on the observance of contract and planning discipline.

When loans are made due consideration is given to results in the fulfillment of contractual obligations to commission production capacities and housing and other nonproduction projects, and also the volumes of contract work on carry-over projects and meeting targets for profit and labor productivity and the availability of private circulating capital.

In cases in which the client fails to pay the construction organization for work done the bank has the right to make loans to the contractor to cover the costs of uncompleted production. When this is done the loan repayment time and the time needed to make up any lagging should not usually exceed 60 days. When reviewing with the contractors the reasons for the holdup in the completion of work the bank manager has the right to extend the loan repayment time by no more than 30 days.

The bank charges an interest rate of 2 percent for its loans, but if the contract organization makes up any lagging ahead of time and meets the plan targets the interest rate is halved.

The contract organization can also obtain bank loans for construction-and-assembly work at projects nearing completion that have not yet been paid for by the client; loans may be 5 percent of the cost before the work is completed and acceptance has been confirmed by a state commission. Loans are made only for projects being built within the time periods planned for the construction.

It is important to stress that the credit mechanism developed is such that makes it possible to offer major concessions and incentives for organizations that are operating well and meeting their contractual obligations. Contrariwise, organizations that fail to meet contractual obligations will carry additional costs in the form of increased interest rates on loans.

In order to strengthen financial and credit influence on the results of work by contractors and clients the bank institutions must effect a cardinal improvement in their economic work, make in-depth analyses of the economic and financial activity of the contract organizations, and help them to seek out efficiency reserves and reduce prime costs.

In the past 2 years the number of construction organizations operating at a loss has declined slightly, but there are still many of them. In the USSR Ministry of Construction in Northern and Western Regions of the USSR they make up 19 percent of the total, in the USSR Ministry of Construction in the Southern Regions of the USSR 23 percent, in the USSR Ministry of Construction in the Urals and West Siberia Regions of the USSR 18 percent, and in the USSR Ministry of Construction in the Eastern Regions of the USSR 26 percent. Many organizations have very low profitability.

It would be a mistake to think that the effect of the economic levers and incentives envisaged by the new economic mechanism will occur automatically. What is needed is a radical restructuring of economic work in the construction-and-assembly organizations.

Development of cost-accounting relations in construction and greater economic interest on the part of those involved in the investment process in reducing prime costs in construction will be helped by the switch to accounts between client and contractor on the basis of contract prices. This will require major improvement in engineering-monitoring work done by the Stroybank institutions. A contract price that remains unchanged throughout the entire period of construction assumes careful work on the technical-economic indicators for construction sites and correct determination of construction costs. This work must be done at the stage when the technical-economic statement and technical-economic schedule or project are drawn up, before they are confirmed, that is, during the period that the contract price is set. Engineering monitoring by the bank should be aimed at further reducing the cost of construction and reducing expenditures of material resources.

In the Public Interest.

The 27th CPSU Congress set the task of insuring by the year 2000 that every Soviet family has its own separate apartment or well-appointed house. This means that it is necessary to build up the rates at which housing is commissioned already during the current five-year plan. Where will the funding come for this? In the 1987 plan a considerable proportion of the resources allocated for housing construction will be obtained through a certain cutback in the volumes of production construction. Another funding source for housing construction is the population's private assets. In the opinion of the USSR Stroybank the proportion of cooperative housing construction must be increased. One major reserve is to be found in at least halving the construction of housing on an individual design. In addition, it is essential to reduce significantly the withdrawal of good-quality housing in individual parts of the country.

Taking into account the social thrust of plans for our country's economic development during the current five-year plan the USSR Stroybank Board has made it incumbent upon all bank institutions to raise the level of control work and give every possible assistance for the construction of housing and cultural and everyday projects. The time taken for their construction must be reduced to a minimum.

One means of achieving these goals could be a switch everywhere to construction according to designs and estimates agreed between client and contractor and the handover of turnkey projects.

The radical restructuring of financial and credit relations and their influence on strengthening cost accounting, and realization of the economic and legal foundations of enterprise activity as sealed in the draft law on state enterprises will make it possible sharply to improve the effectiveness of capital investments.

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## OFFICIAL ON AZERBAIJAN CAPITAL CONSTRUCTION PROJECT PLANS

Baku BAKINSKIY RABOCHIY in Russian 31 Jan 87 pp 1-2

[Interview with C. Sh. Sadykhov, first deputy chairman of Gosplan AzSSR, by A. Lerner; date and place not given; first paragraph is BAKINSKIY RABOCHIY introduction]

[Text] It has already become a tradition at the start of each year to tell of the upcoming work and to comment on the construction program, the implementation of which largely determines the success of the economy as a whole. The fulfillment of this program is now attaining an especially important role, inasmuch as the second year of the five-year plan is called upon not only to strengthen but to develop what was achieved in the first year and must permit the attaining of the so-called strategic scope in the area of the fundamental reconstruction of industry and the accelerated development of the material-technical base of the social sphere. All of this predetermined the direction of the conversation published today.

"As is customary," says Samed Shakhbazovich, "I will preface the commentary on the map of new construction projects with a few words on the past years's results. They can briefly be characterized by the fact that the pace of capital construction increased and the scale of the reequipment and reconstruction of enterprises was expanded. Primary attention was paid to the installation of facilities in the social sphere. Last year, the plans were overfulfilled for putting into operation general-education schools, children's preschool institutions, hospitals, and dispensaries and polyclinics. At the level of the targets, the program for the construction of vocational and technical schools, libraries and dwellings through state funds was realized.

"At the same time, one must not fail to mention the shortcomings that were the subject of the recent meeting of the republic's party economic aktiv. Last year, targets for putting fixed capital to work were underfulfilled and capital investments and the ceilings for construction and installation work were not fully assimilated. This indicates that restructuring in contract organizations and ministries as well as customer departments is still going slowly."

[Question] All of this obviously also predetermines the basic directions for concentrating the forces of builders.



[Answer] Precisely so: the construction program for the current year was drawn up on the basis of a detailed and careful analysis of the reserves and possibilities and taking into account what has been omitted in the past. It thereby proceeds from the fact that a huge sum--more than 3 billion rubles in capital investments--is aimed at the development of the republic's economy. I must stress that the plan was formulated so that one could get the most effective use out of measures outlined by the decrees passed by the CPSU Central Committee and USSR Council of Ministers in the last 2 years on questions of capital construction.

A characteristic distinction in the plan is the fact that it is literally drawn up separately for each facility (large or small!) and regardless of whether its function is social-cultural or for production. It is also drawn up according to the time of each stage of the work and in accordance with material and technical supply.... In short, it foresees everything necessary to exclude rush work, so that the facilities are not turned over "when the curtain falls" but are put into operation evenly throughout the course of the year.

[Question] This must be helped by the narrowing of the construction front, that is, a reduction of the overall number of projects carried over....

[Answer] As well as newly started projects. I will present some figures. The number of production facilities being constructed simultaneously was reduced by 16 percent relative to 1986 and the number of those newly started was reduced by 33 percent. The relative share of projects scheduled for completion in the total number of projects will now be more than 70 percent. And still another rather interesting fact. In connection with the low construction readiness, a number of projects for production as well as nonproductive purposes with an overall estimated construction and installation cost of almost 175 million rubles have temporarily been put on hold. These funds, freed, so to speak, for the time being from nonproductive projects, are being directed to carry-over priority projects.

[Question] If you can, Samed Shakhbazovich, give us more specifics on such production projects.

[Answer] As you know, the aims of the 27th CPSU Congress and the 31st Congress of the Azerbaijan Communist Party provide for priority accelerated development of machine building and metal working, primarily of the most promising directions of this sector. It is planned to increase the relative share of its production to 19.5 percent as opposed to 18 percent under the estimates of the five-year plan. And here a very important role is assigned to builders who must make considerable efforts for the reconstruction and reequipment of sector enterprises and ensure an increase of almost 35 percent in the volume of work at the machine building complex.

In particular, it is planned to expand the capacities of the Baku machine building plants imeni Lieutenant Shmidt, imeni S. M. Kirov, and imeni B. Sardarov. A pipe rolling plant in Sumgait, an electric machine building plant in Baku, and the Bakelektroavtomat Plant are being enlarged through new

capacities. The chemical industry will be further developed through the introduction of capacities for the production of ethylene, sulfuric acid and polyethylene in the enterprises of Sumrait.

In the current year, much attention will be paid to sectors working, so to speak, directly for the individual--the light, food, and meat and dairy industries. For example, a cotton-spinning mill in Geokchay, a carpet combine in Nakhichevan, and a textile combine in Baku will be put into operation. The capacities of a cereal-products combine in the republic's capital will be increased, a milling combine in Kyurdamir and bakeries in Agdam and Ali-Bayramly will go into operation, and canning plants in Kuba, Kusary and Kazakh and milk plants in Shamkhor and Zardob will be expanded. And much more....

[Question] In the area of the agricultural industry?

[Answer] I named a number of enterprises with this profile. Approximately 955 million rubles in capital investments, whose utilization presupposes an increase in deliveries of mineral fertilizers, agricultural machinery and equipment to the rural areas, are being channeled into the strengthening of the material-technical base of the agro-industrial complex. A storehouse for mineral fertilizers will be built, let us say, at the Akstafa station and a pig-fattening complex in Baku will be expanded. There are many other projects.

And in general, it can already be seen on the map, that is, in the geography of the projects of the agricultural industry as well as the industrial sector, how the distribution of the republic's productive forces is being improved. Such a distribution of projects will make possible not only the more rational utilization of raw materials existing locally but, what is very important, it will also make it possible to draw idle manpower into the sphere of production and to accelerate the development of small and remote regions of the republic, above all mountain regions, in each of which--without exception--substantial work will be carried out in the building of housing and installations for cultural and domestic services.

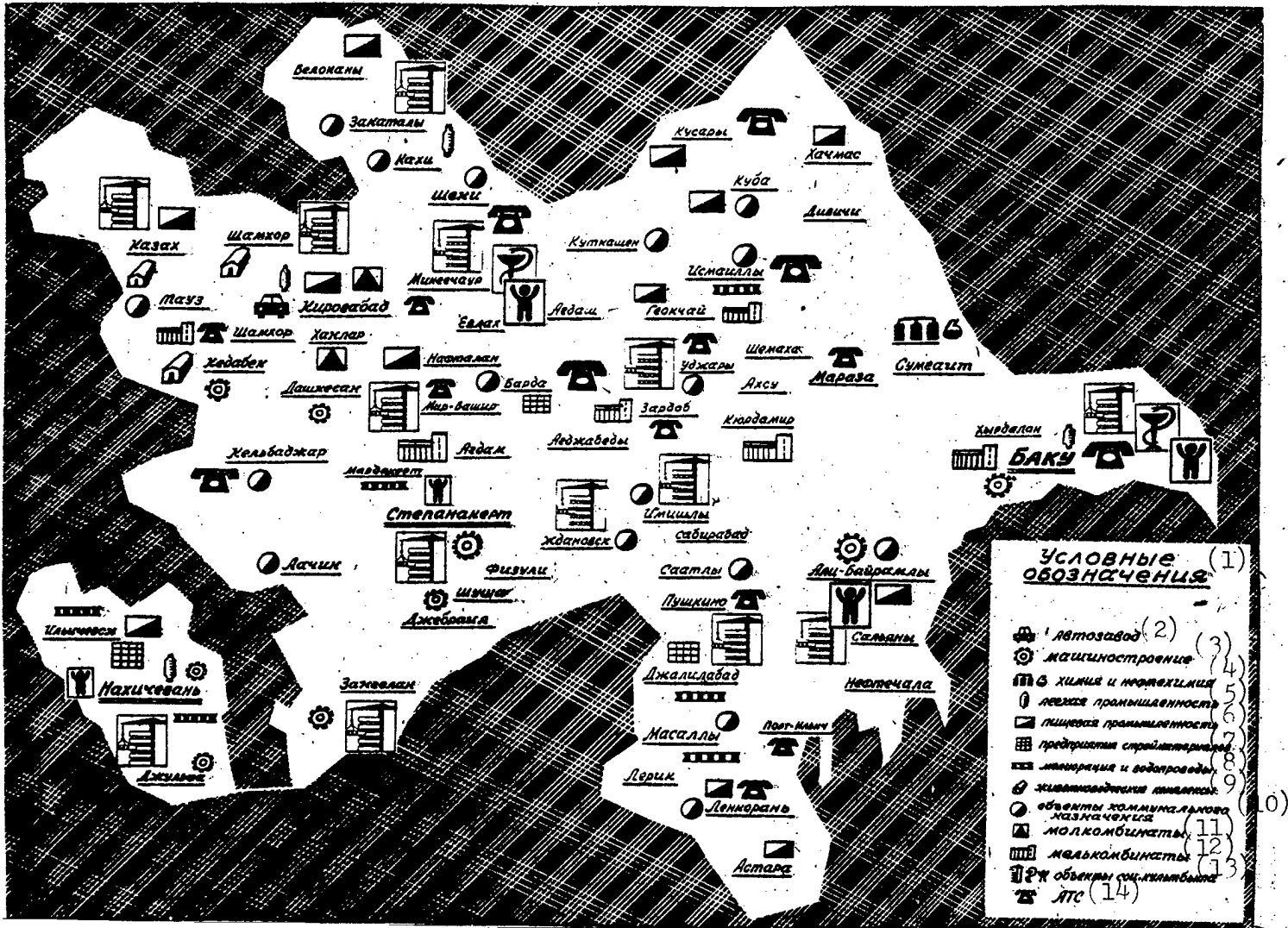
[Question] Up to now, we have been talking about the production area. But the program demands a special effort of builders in the social sphere.

[Answer] Here we will have to increase the good pace that we have already set. The plan for the current year pays primary attention to the construction of housing and social and cultural facilities. As I have already said, a decision by the government of the republic confirms a list by name of literally every priority school, hospital and club.

In comparison with the past year, the increase in housing through state and cooperative funds will amount to about 18 percent and the number of general-education schools, children's preschool institutions and hospitals will increase by a factor of 1.4 to 1.6, whereas that of polyclinics will approximately double. It is planned to introduce a Palace of Sports complex and a radio and television transmission station in the capital of the republic and to construct 16 buildings for automatic telephone exchanges in Mingechaur and Baku, Mir-bashir and Zardob, Udzhary and Lenkoran, Fizuli and Ismailly.

[Question] But such an intense program requires considerable organizational and material-technical work in the area of construction production itself.

[Answer] Doubtless. It is precisely for this reason that the most serious attention here is being paid to increasing capacities. The plan provides for the reconstruction of DSK-2 [housing-construction combine], the expansion of DSK-3, the forcing of work on the erection of DSK-4, and the modernization and improvement of a large number of enterprises of the Ministry of the Construction Materials Industry.



Key:

1. Legend
2. Motor vehicle plant
3. Machine building
4. Chemicals and petrochemicals
5. Light industry
6. Food industry
7. Building materials industry
8. Reclamation and water supply
9. Livestock breeding complexes
10. Municipal projects
11. Milk combines
12. Milling combines
13. Social and cultural installations
14. Automatic telephone exchanges

As for the organizational measures provided for by the party and government decrees on the further improvement of the management of the construction complex and measures to improve the economic mechanism, we are doing and will do a lot in the area of strengthening the economic incentives of the participants in the investment process to achieve the basic goal, the timely putting of facilities into operation. To cope with the task, there should be a bolder and broader introduction of the experience of Belorussian builders and the collective of the trust Mosobltselstroy No 18, whose work in the improvement of labor methods and the organization of production has received high marks.

In short, there is much work ahead, above all to establish the most favorable conditions for the systematic and effective introduction of construction work and the completion of each planned project in the standard times.

In conclusion, I will say that the experience that we have accumulated recently in standard even planning and the measures undertaken in the establishment of a unified and harmonious system of interdependence between the contractor and the customer, in supply and project planning, and in the introduction of the already-widespread "Pusk" [start-up] system will permit our builders to cope successfully with tasks established for us by the decisions of the 27th CPSU Congress and the 31st Congress of the Azerbaijan Communist Party.

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CSO: 1821/009

## THEORY, PRACTICE OF PRIVATE LABOR LAW DISCUSSED

Moscow OGONEK in Russian No 3, Jan 87 pp 6-7

[Interview with Vladlen Krivosheyev, sector head, Institute of the Economics of the Worldwide Socialist System, USSR Academy of Sciences, by Vladimir Petrov, under rubric "Restructuring: Checking By Deed": "The Technique of Authorization"; first paragraph is source introduction]

[Text] In May of this year the Law Governing Individual Labor Activity will go into effect. What prospects will it open up? A dialogue on this subject is conducted by Vladlen Krivosheyev, sector head, institute of the Economics of the Worldwide Socialist System, USSR Academy of Sciences, and journalist Vladimir Petrov.

[Question] It seems to me that the most important thing in our discussion is not to get sidetracked into discussing problems which are no longer pertinent after the adoption of the Law Governing Individual Labor Activity. For a long time we argued about whether or not it is needed, we added up all its pluses and minuses, and obtained as a result an inevitable zero instead of a completely unambiguous resolution. Without a doubt, unambiguity in this question can only trip us up. But the reality is such that, starting in May of this year, merits in the sphere of individual labor activity will become a part of our everyday life.

[Answer] The law formulates only the overall principles of the forthcoming work. When it comes down to the specifics, there is still much that is unclear here. We shall have to learn how to use individual labor activity for social interests. It will be necessary to learn how to coordinate and direct that activity. And I mean "learn," because this kind of experience is still extremely meager.

[Question] If we do not consider the days of the New Economic Policy...

[Answer] I assume that even that experience is not very applicable. It would not be correct to compare those who currently are engaging in individual labor with Nepmen: there are fundamental differences between them. A Nepman competed directly with the state industry that had not yet become strong. At the present time this does not pertain, since, in the sphere of individual labor activity, the demand that is being satisfied is that part of the demand

which the state, for various reasons, was unable to satisfy. Take, for example, the markets. Their existence by no means indicates that the state stores completely lack customers.

Thus, the task that confronts us is a specific one. And this is the first time that we are resolving it. But in order to leave no doubts about how complicated this task is, I would like to quote just one figure: as of today, prior to the law's going into effect, the total volume of individual services constitutes billions of rubles a year.

[Question] Yes, it's a tremendous figure. Incidentally, it also gives a person an idea of what income the government can obtain if there were a system of patents and taxes that operated normally and that was organized in a well thought-out manner.

[Answer] An idea? Very relative... The income that the government can receive is not determined only by taxes or the amounts of money from the sale of patents. Let's add it up, taking as an example the charging of a fee for beds assigned to vacationers in health-resort areas. As a rule, the vacationer only sleeps in the "private sector," but spends all his active life in the sphere covered by the social sector of the economy. Therefore all the remaining expenses borne by the vacationer -- transportation, meals, entertainment, purchases, etc. -- represent income for the government. That is approximately 5-6 rubles per "bed" ruble. But that still isn't everything. A study conducted by specialists indicates that a well-organized vacation provides the government with an income of 250-300 rubles per working man. This amount is formed from the increase in labor productivity after the person returns from the vacation, from the reduction in the disease rate, and from the reduction of expenses for medical treatment. I shall not bore you with long computations, but will simply cite the final result. The ratio of the room-renters "net" income to the government's direct and indirect expenses constitutes 1 : 65, that is, for every 20 kopecks of "bed-renter" profit, the government has 13 rubles of income "catalyzed" by them. It is precisely this ratio that indicates the true benefit of individual labor activity. And this is by no means income received from taxes...

[Question] I agree. But this is what is disturbing me: for some reason it is felt that very soon after the law goes into effect, the unofficial individual labor activity will immediately cease, and its participants, in serried ranks, will move toward the rayispolkoms to register. And yet, in my opinion, this is not so, or not completely so. Attempts to establish contacts with persons involved in private business, albeit not very serious attempts, have already been made in the past. And in most instances they ended in failure.

We frequently forget or do not want to admit the fact that, after existing for many years under conditions of prohibitions, people who engage in individual labor have become, to a considerable degree, autonomous. They do not need contacts with governmental institutions. And to an even greater extent they do not want to pay any tax. I once had a discussion with a tailor who makes custom-made clothing. This is what he feels: "Why should I have to give my money away every month if I can avoid doing that?" And I think that many others think that way too. People who engage in individual labor also exist

comfortably on an unofficial basis, and therefore the attitude of "all we have to do is put out a lure, and they'll come running" is scarcely the correct one...

[Answer] It is not completely that way. The organizing of private services on an unofficial basis is by no means the easy matter that people generally think. Every ruble that goes into the pocket of the person in the private sector -- a situation that amateur economists write to the newspaper so frequently -- is conceived as his net income. And yet the situation is completely difficult. Suffice it to state that a person who engages, for example, in individual drayage has to pay approximately 10 kopecks for each kilometer traveled, taking into consideration the increased wear and tear on his vehicle and his gasoline expenses. And that does not consider the labor expenditures. The illusion of getting easy wages in individual labor has been created by all kinds of "moonlighters" and "Uncle Vasyas" whose work involves stolen material, equipment, and also the hours that have already been paid for in their basic work. They did not have any material costs of production or any commercial risk. But their activity can in no way be called typical.

But what is the situation with that same owner of beds at a health-resort area? His expenses are made up of two categories -- permanent and variable. The variable expenses arise immediately at the moment of providing the service: expenditures for laundry, the payment for electricity and fuel, the accelerated wear and tear of the bed linen, the washing machine, etc. The permanent expenses (the existence of which, incidentally, is usually not taken into consideration by the financial inspectors when determining the amount of the tax) do not depend upon whether or not there are any vacationers. Because the room, the building, the furniture, the refrigerator, the vacuum cleaner, have to be maintained for the entire year, and they require depreciation not only during the 100 days of the vacation season, but throughout the year. And if one takes into consideration the expenses in complete volume, then only 20 kopecks out of every ruble constitutes the home-owner's "net" profit, while 80 kopecks is used for depreciation.

Therefore, in principle the contacts with the governmental organizations are beneficial for these people because they facilitate their activity and provide the opportunity to obtain areas for their work, and to obtain raw materials, not to mention their solid legal status. In this respect there is no need to go far to get examples. In certain cities, for example, there already exist stores where, at rather high prices, people can buy flowers from independent gardeners and then assume the job of selling them. There are so many people wanting to take advantage of this service that many people have to be refused. And this is natural. Judge for yourself what would happen today if everyone who engages in individual labor assumes the entire production chain of his own services: the gardener himself grows the flowers, he himself sells them at the market; the tutor himself finds the textbooks, he himself gives instruction from them, he himself provides a room for the classes; the tailor himself sews the garment himself, and he himself purchases the fabrics on general principles or on the basis of his familiarity with them. And this, understandably, creates additional and very large labor expenditures, and greatly increases the depreciation of the service. Therefore it will be advantageous if the governmental organizations assume definite links in that

chain, and the "individuals" in this instance will accept the contract or the tax.

But this does not mean that I do not agree with your fears. They will accept them only if that tax is sensible. And in this regard a very great deal will depend not only upon the law, but also upon the so-called legally binding acts -- decrees promulgated by the republic governments and the local agencies of authority, as well as the normative documents of the ministries and departments.

What will they be like? What will be the style of the interrelations that the governmental organizations have with those who engage in individual trade activity? For the time being, it is difficult to say... In the outlying areas there have been by no means infrequent instances when, proceeding from completely good intentions, people have made economically poorly thought-out decisions which, in the final analysis, have hurt the public welfare. This is an especially widespread mistake: for the purpose of getting a bit more, the size of the tax is increased, but this inevitably reduces the number of participants in individual labor activity and, as a consequence, reduces the total amount of receipts.

[Question] That is, the law creates a good basis, and the question lies in how that basis will be used. But you will agree that we have a serious paradox here. You have already mentioned extremes, but the resolution of the problem of authorizing individual labor activity, in principle, inevitably results in the need to resolve the problem of administering it. In one way or another, it will be necessary to establish cooperation conditions that are specific and that have been dictated by life itself. But is that possible? Exert the slightest pressure and the person in the private sector will break off the contacts and go underground again!

[Answer] I wouldn't say that. The person in private trade was uncontrollable specifically when he was working in the unofficial sphere. But the law gives opportunities for administering individual labor activity which we could previously not even dream of. With what, essentially speaking, could we thread the person in private trade? A fine? Public reprimand? No more than that... But now those who are employed in the sphere of individual labor activity will have the right to engage in it legally, on a profitable basis, the right to require that attention be paid to them, and the right to require the resolution of their problems. Naturally, the danger of being deprived of that right becomes a serious threat. It is one thing when practically all types of individual labor activity are banned. But it is a completely different thing when most types of that activity are authorized, only a few are banned. What sense is there in taking a risk when you can earn money without taking that risk? Therefore it is completely possible to set reasonable conditions for those who engage in individual labor activity...

[Question] But those conditions can prove to be completely reasonable from the point of view of the rayispolkoms and unreasonable from the point of view of those who find themselves under those conditions. Yes, after the law goes into effect, it will not make sense to engage in prohibited trade. But a contradiction will still remain. A person operating on an unofficial basis



acts on his own responsibility and in a way that he considers to be necessary. But as soon as he changes over to an official status, the situation changes sharply. Individual labor activity does not exist in a vacuum. Like any other kind of activity, it is tied in with a large number of other economic spheres. And although the cooperation between the organizations, chiefly the rayispolkoms, with those who are engaging in individual labor activity must be mutually advantageous, it cannot be completely equal. If one administers, then that means that one authorizes one thing and, conversely, bans something else. And what about the means of administration? Are we going to have a practice of administration by fiat again?

[Answer] Why do you think that administrative measures are the sole possible means of administering individual labor activity? There are methods that are much more effective and much more flexible. I have already said that in the sphere of individual labor services, the only demand that is satisfied is that part of the demand which, for various reasons, the state organizations cannot satisfy. The persons engaging in individual labor cannot compete at such time with the state organizations -- either in prices, or in their opportunities. Correspondingly, it is competition, and certainly not administrative prohibition, that is the administrative lever that we are seeking.

[Question] That's not a new idea. But, as you know, when people express it theoretically, they rarely imagine its practical implementation. At one time I was a witness to a curious episode. There exist people who are called "fruit brokers." In exchange for a certain fee, they tell fruit sellers what markets, in what cities, the demand for their wares is especially high. The year before last, the brokers made a mistake. They sent the apple sellers to Kuybyshev, where the state stores had piles of apples for sale. What happened as a result? That same lever that you mentioned went into operation without hesitation. The sellers rented apartments in the city, stuffed them full of apples, and left, in order to return a couple of months later, when there would be no apples left in the state trade system. They returned and sold what was left -- most of the apples had rotted. So who won as a result? Certainly not the sellers, who had lost their wares. And not the state. And not the consumer...

[Question] Mistakes like that happen rather frequently for the simple reason that the brokers do not possess all the necessary information. But Agroprom does possess that information completely. Why, then, shouldn't it insure its supply with the aid of those apple sellers? Why shouldn't it give them the correct addresses and provide them with transportation on a legal basis, in exchange for the proper fee? That would be an example of administration with the aid of competition. It is profitable for the fruit seller to cooperate with Agroprom, but at the same time he cannot change the assigned itinerary and go, for example, not to Sverdlovsk, but to Perm, because if he did so he would take the risk of finding himself in competition with the state trade system.

[Question] I think that I understand what you are saying. It turns out that competition with the governmental services naturally creates a framework for individual labor activity. And all that is needed is to use that situation in a commercially well thought-out way, proceeding from the principle that the

arrangement should be mutually advantageous. In this regard I recall a recent official trip to Vilnius, where the director of the city market had succeeded in reducing the market prices by more than half by using that very principle.

The director had the right to buy at wholesale from sellers who came to the market to sell their commodities. However, it was only at commission prices, which were unprofitable to the sellers. What would you have done if you were in his place?

[Answer] I would have tried to change the situation at the market so that those prices would have been profitable.

[Question] Yes, the director created for the sellers the best possible conditions: he built convenient warehouses, he built a hotel, and he set up very convenient trade stalls. As a result the number of sellers at the market increased. No, the prices, naturally, did not fall as a result of this, but every seller sold out all his wares -- the director took special concern about it. But there was an increase in the amount of time necessary to sell everything that had been brought in. And every day that the seller spent at the market meant expenses for meals, for the hotel, and for storing his wares. Therefore, with a consideration of these expenditures, it became profitable for the sellers to sell their wares at wholesale. Of course, not to everyone, but only to a few. But with the aid of the commodities that had been purchased, the director obtained the opportunity to control the price situation at the market.

[Answer] Incidentally, without reducing the prices too much, to the extent that the sellers lost their profit in trading.

[Question] Naturally. But I have given this example not only to reconfirm your views. The market director, before achieving what he wanted, had to take a number of serious steps that largely changed the work of the market management. What, then, does happen? At first glance the Law Governing Individual Labor Activity, when it goes into effect, will exert an influence only on the principles of activity of those who are engaged in that sphere. But actually it will also affect the activity of the state organizations.

[Answer] Every kind of socially recognized labor activity, irrespective of its concrete content, is interrelated with a large number of other kinds. It is very difficult, and sometimes simply impossible, to ascertain all those ties and to predict the behavior of all the participants in the economic process at the theoretical level -- it is only practical life that can ascertain them. And so I would not want to engage in forecasts which might prove to be completely incorrect. But if one judges from the experience of other socialist countries where individual labor activity is already widely developed, the reverse influence of its participants on the state organizations is completely probable. And that influence can be characterized as a rather powerful catalyst. The appearance of the sphere of individual labor services usually leads to an increase in the quality of services provided at the state service enterprises. Incidentally, the crux of the matter is not only the economic causes, but also the socioeconomic ones. Recently I was in a taxi and the taxi driver -- a young fellow -- told me that

many of his coworkers, starting in May of next year, were planning to engage in private drayage, and he chuckled at the director of his own taxi pool, who was thrown into a complete panic in this regard and who was attempting to use various promises to hold onto his workers.

[Question] That's an unpleasant situation...

[Answer] Well, at first I reacted that way too. But is that reaction the correct one? What, properly speaking, will happen if some of the taxi drivers leave the taxi pool and set themselves up in another job that leaves them more free time for themselves, or if they begin to engage in private drayage? They will continue to provide services for a customer. The state will continue to receive income -- except that now it is in the form of the tax. In addition, the quality of the services provided will increase, and the total income will at least not decrease. The only organization that proves to be in a difficult situation is the taxi pool, the managers of which will have to think seriously about how to get their people back. That is, how to organize the job better.

[Question] In other words, if there is no competition for the customer between the "individualists" and the state service organizations, then the competition for the worker will be mandatory? That idea has also popped into my head. Previously, for example, an engineer who was dissatisfied with the working conditions at his NII [scientific-research institute] could transfer to another NII where the conditions were, if anything, almost identical. Consequently, transferring did not make any particular sense. But now, for the first time, there is an official, legal alternative -- after formalizing a contract, one can try one's strength in individual labor activity. And the appearance of this alternative will lead, obviously, to a situation in which the value of a good worker, and the respect shown to him at the state organizations, will rise sharply.

[Answer] Possibly. At least in those service areas where the state service organizations are dealing with an acute demand for services in short supply, and their associates sufficiently possess the professional skills needed for independent work.

Incidentally, I would like to repeat that it would be better if we wait a while with our forecasts. For the time being, there is only one thing that can be stated with any conviction -- we will have to engage in a serious study of commerce and the way of thinking soberly, on a practical economic basis. And I mean not in theory, but in living practice. And whereas the technique of prohibiting individual labor activity is already known, it will only be necessary for us to assimilate the technique of authorizing it.

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## LABOR

### REVENUE CONTROL ON PRIVATE LABOR ACTIVITY EXPLAINED

Moscow IZVESTIYA in Russian 3 Mar 87 p 2

[Interview with Vasiliy Ilich Mateyuk, chief of the Krasnodar city finance department, by A. Dergachev, IZVESTIYA correspondent, Krasnodar: "Discussion with a Financial Inspector About the Law That Will Go Into Effect on 1 May"; first paragraph is source introduction.]

[Text] Soon it will be no simple matter to get into the finance departments of the gorispolkoms, because there will be so many people going there after the Law Governing Individual Labor Activity goes into effect, and they will have so many questions. But is it possible that answers can be provided for some of those questions today? Let's try to do that, I suggest to Vasiliy Ilich Mateyuk, chief of the Krasnodar city finance department. So, here's the first question:

[Question] The opinion has been formed that up until now taxes have been used basically to limit individual activity. As a financial inspector, aren't you concerned that now you will have to work in a completely different direction?

[Answer] I'm not concerned at all, because individual labor will scarcely constitute any noticeable competition with the state enterprises. People will work chiefly in those spheres that have not yet been assimilated by the plants or the personal-services sphere. Of course we'll have more things to think about, but the job merits the extra effort. First, we expect an increase in the receipt of money into the budget, and, secondly, there will be a more complete satisfying of the public's demand.

Our recommendations have certain justifications. Without waiting for the Law to go into effect, we cooperated with the trade system in opening up in Krasnodar last year a handicrafts articles store. At first we were concerned as to whether the handicraftsmen would put their confidence in this. But they did. The store already has more than 200 suppliers, and its proceeds during the four past months alone came to approximately 0.7 million rubles. Soon the store will be organizing for its suppliers the sale, in exchange, of raw materials and fittings.

Thanks to the economizing of time (it is no longer necessary to trade at the market), the handicraftsmen sharply increased their production. For example,

O. Vlasova, who knits caps from wool and mohair, sold through the store a total output of 7400 rubles.

Obviously, it is necessary to clarify this by saying that O. Vlasova sold output that had been made during the year. Deducting the 7-percent commission fee that "stayed" at the store, as well as the cost of her materials and the tax that she paid, she earned 5514 rubles, or 460 rubles a month. This gives people food for thought -- a handicraftsman in Krasnodar lives rather well. However, O. Vlasova is one of the record-breakers with regard to earnings. There are also those who were able, during the year, to receive in exchange for their labor only 200 rubles each -- they are chiefly the people who are elderly or those whose health is not strong.

[Question] So far as I know, the city finance department has prepared a draft of a statute governing a housing rental (subleasing) bureau, similar to the bureaus that exist in the kray's health-resort cities. Was there a need for this, since Krasnodar is not a health-resort city?

[Answer] Strictly speaking, the rental of housing does not pertain to individual labor activity. Although it must be noted that many people who rent housing do not simply "rent area," but also wash the bed linens, cook food, take care of children, clean the apartment, etc. Thus these services can partially be considered to be individual labor activity. But the chief goal that we are pursuing when creating the bureau is to introduce order, to take into our hands the supervision of the use of temporary housing.

This problem became especially acute after the promulgation of the CPSU Central Committee decree "Measures for Intensifying the Fight Against Unearned Income." The apartment-renters (some out of fear, and others for their own selfish purposes) began on a massive scale to refuse their customers -- both former ones and new ones. By that time our financial agencies officially listed 1736 citizens renting their apartments. After that decree was promulgated, more than a thousand additional persons rushed to register. Incidentally, those apartment-renters last year received 569,000 rubles of income, of which, in the form of income tax, 90,000 rubles was paid to the state.

I'd like to emphasize that half the apartment-renters did not have to pay any tax, since their income did not exceed 300 rubles a year. As a result, if one does not doubt the reliability of the information (and, unfortunately, a financial inspector does not always trust his customers), then a rented apartment in Krasnodar costs the tenant something in the limits of 40 rubles a month.

However, when preparing the draft of the statute governing the housing rental bureau, we encountered the situation that, on the one hand, there is a colossal demand for those types of services, and, on the other hand, the enactment of that statute (it is being considered at the krayispolkom) is hampered by various interpretations of the law. Thus, according to the RSFSR housing code, the amount of payment for the use of housing must not be more than the existing rental on the apartment. But at the housing bureaus in health-resort cities, by decision of the local soviets, the payment is set not

in accordance with the area, but with the number of beds: from 1.5 to 2.5 rubles a day depending upon the conveniences offered.

[Question] Apparently citizens get in touch with you, offering services by way of individual labor activity. How do you react to those proposals?

[Answer] We have already been working with people like this for a long time: handicraftsmen, physicians in private practice, lawyers, teachers, persons who breed aquarium fishes, fur-bearing animals, etc. We know them and they know us, but after 1 May there will be more persons wanting to cooperate with us! When we record the incoming proposals, we feel that the ones that can be completely realistic are the associations (or cooperatives) for the repairing of passenger cars, which are under garage cooperatives; and those involved in private haulage, in building small homes at dachas, and individual homes.

The financial department has ready proposals on this account, and soon they will be submitted for consideration at the ispolkom of the Krasnodar City Soviet of People's Deputies. However, it would be worthwhile even now, in a legal procedure, to consider the question of taking a differentiated approach to the "cost" of a patent and to the size of the tax to be levied: one and the same type of individual labor activity can be fulfilled either by a completely able-bodied person or by an old man, and their income, naturally, will be different. Thus the taxes must be socially just.

And there is yet another problem which, in my opinion, requires urgent resolution in the name of that same social justice. It would be desirable to cancel the limitations when paying pensions for those persons who want to engage in individual labor activity. For the time being, the pension in such instances is completely paid only to workers and to disabled persons in Groups I and II. But, a person who is receiving a grant in aid with incomplete work longevity is deprived of it if he suddenly engages in individual labor activity. Are such limitations needed?

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## BRIEFS

UKRAINIAN RAILROAD CATERING SERVICES-- Inter-territorial railroad restaurant associations have been put on cost-accounting [khozyaystvennyy raschet] to improve the organization of passenger food services. Ukrdorrestoran, the Ukrainian Office for Management of Railroad Restaurants, will operate within the Ukraine. The Southwestern, Lvov, Donetsk, Southern, Odessa, Dnieper River Area and Crimean inter territorial railroad restaurant associations are subordinate to Ukrdorrestoran. These inter-territorial railroad restaurants, as well as Ukrdorrestoran, are subordinate to the MPS [Ministry of Railways] Main Administration of Railroad Restaurants. [Text] [Moscow GUDOK in Russian 19 Dec 86 p 2] 12659

KOSHKOVO STATION RENAMED--The Odessa Line's Koshkovo Station has been renamed Chernomorskaya Station. The Beregovaya station has been opened on the new spur line next to the operating Chernomorskaya Station. Distances from the Beregovaya Station are: 37 km to the Chernomorskaya Station, 73 km to the Odessa-Peresyp transit points, 81 km to Raukhovka-1 and 3 km to the Yuzhnaya Chernomorskaya Maritime Trade Port. The Beregovaya Station is open for receiving and dispatching carloads and smaller consignments, as well as full carloads only on approach lines and places of non-general use, i.e. in compliance with Paragraph 3 of Tariff Guide No 4. The Beregovaya Station codes, in accordance with Tariff Guide No 4, 1975 edition, are numbered 42500, and for Tariff Guide No 4, 1985 edition, are numbered 400502. [Text] [Moscow GUDOK in Russian 19 Dec 86 p 2] 12659

APATITY-2 STATION OPEN--The Apatity-2 station, on the Oktyabrskaya Line is open for receiving and dispatching carloads and smaller consignments and full carloads on the approach lines and non-regular places, i.e. in accordance with Paragraph 3 of Tariff Guide No 4. [Text] [Moscow GUDOK in Russian 19 Dec 86 p 2] 12659

NEW MINSK METRO STATION OPEN--On New Year's Eve an important event was made part of the life of the capital of Belorussia: the second leg of the first line of the Minsk Metro was put into operation. Prior to the start-up of the first trains, IZVESTIYA correspondent M. Shimanskiy met at the new Vostok Station with M. Marinich, deputy chairman of the ispolkom of the City Soviet of People's Deputies. "The station in which we are now standing," Mikhail Afanasyevich told us, "is of particular importance to our city, since it is in a densely populated area. The area's residents, who now have fast,

comfortable transport available to them, will spend less time travelling to and from work, and will be able to get to railroad and bus terminals and the largest stores and main theaters quickly and comfortably. By putting the Vostok Station into operation, the metro will convey an average of up to 250,000 passengers daily. The route of the first phase of our metro coincides with Minsk's main transport artery--the Lenin Prospect. Remember the traffic it used to have? Trolley-buses, buses--more than 20 routes in all. Naturally, there was also a tremendous passenger flow. The metro immediately took the burden of surface transit modes off the prospect. During the 2.5 years since it began operating, the Minsk Metro has carried 192 million passengers. And that's only on one line. Without a doubt, as far as solving the city's transport problem, the future belongs to the metro. Its general plan calls for it to be made up of three intersecting lines with an overall length of 50 km. A second line, 19 km long, has already been designed and is under construction. [by IZVESTIYA correspondent M. Shimanskiy] [Text] [Moscow IZVESTIYA in Russian 29 Dec 86 p 1] 12659

ARYS-CHENGELDY LINE ELECTRIFICATION--Alma-Ata--On the threshold of the new year's holiday, the trains have been running faster along the Arys-Chengeldy route, linking Kazakhstan with Tashkent, the capital of Uzbekistan. Electrification has been completed here on another almost 100-km section of the Alma-Ata Main Line. The cooperation of collectives of the Sredazenergomontazh, Transelektromontazh and Transsvyazstroy trusts helped to open up electrified traffic in mid-winter, instead of next year, as originally called for in the plans. Introduction of the multi-skill contract greatly improved the quality of their work. Their single-mindedness concerning the final result made it possible to organize the placement of the power line supports, electrical cables and electrical equipment efficiently. A contract was concluded which precisely determined the deadlines for supplying needed equipment and for completing the production operations. The conversion of this line to electrical traction greatly improved the working conditions of the maintenance personnel and equipment operators and increased the traffic carrying capacity of this section 2-fold. This will make it possible to ship many thousands more tons of the national economy's freight. Plans call for almost half of the republic's railroads to be electrified before the end of the five-year plan period. [by A. Savitskaya, TASS correspondent] [Text] [Moscow GUDOK in Russian 30 Dec 86 p 1] 12659

TALDAN-SKOVORODINO LINE ELECTRIFICATION--Chita (TASS)--The first heavyweight consist has travelled along the Transbaykal Railroad's new Taldan-Skovorodino leg, which was put into operation on New Year's Eve. [Text] [Moscow GUDOK in Russian 1 Jan 87 p 3] 12659

NEW NIKOLAYEV RAIL TERMINAL--Nikolayev--The new railroad terminal in this shipbuilding city received its first passengers yesterday. Now that it is in operation, what was formerly a dead-end branch line has become a through line, thus reducing the stop-time of each consist by 40 minutes. The new terminal meets all contemporary requirements for passenger services. [Text] [Moscow GUDOK in Russian 1 Jan 87 p 3] 12659

MUUGA RAILROAD STATION OPEN--A new station on the Baltic Railroad, which has been opened to serve the maritime Port of Novotallin, has been named Muuga. It



has been opened to receive and dispatch carloads and smaller consignments and fully-loaded cars only on the approach lines and non-general-purpose points, i.e., in accordance with Paragraph 3 of Tariff Guide No 4. In accordance with the 1975 edition of Tariff Guide No 4, the Muuga Station codes are numbered 09150, and with the 1985 edition--081807. The distance from the Muuga Station to the Yulemiste transit point is 18 km, with a distance of 1 km to the Port of Novotallin. [Text] [Moscow GUDOK in Russian 4 Jan 87 p 2] 12659

NEW OCTOBER RAILROAD STATION--A new railroad station on the October Railroad, which has been sited on the section adjacent to the now-operating Berezka Station has been given the designation Zapskovye. It is open for the receiving and dispatching of consignments in carloads and less, and fully loaded cars only on the approach lines and non-general-purpose points, i.e., in accordance with Paragraph 3 of Tariff Guide No 4. In accordance with the 1975 edition of Tariff Guide No 4, the Zapskovye station codes are numbered 08110, and in accordance with the 1985 edition of Tariff Guide No 4--070107. The distance from the Zapskovye Station to the Pskov Passenger Transit Point is 7 km, to Dno--100 km, and to the next station--Berezka--is 4 km. [Text] [Moscow GUDOK in Russian 4 Jan 87 p 2] 12659

NEW WEST SIBERIAN STATION--The Petrushenko Siding on the Western Siberian Railroad is now open for receiving and dispatching freight consignments in carloads and smaller loads, and fully loaded cars only on the approach lines and non-general-purpose points, i.e., in accordance with Paragraph 3 of Tariff Guide No 4. The Petrushenko Passing Station has been given the new code 87120. It's code number in the 1985 edition of Tariff Guide No 4 is 830501. [Text] [Moscow GUDOK in Russian 4 Jan 87 p 2] 12659

RAILROAD DIVISIONS FIX BOUNDARIES--Boundaries have been set between the Gomel and Mogilev divisions of the Belorussian Railroad on the Zhlobin-Mogilev and Zlobin-Osipovich-1 legs which pass through the Rogachev and Krasnyy Bereg stations (inclusive) for the railroad's Gomel Division. Boundaries have also been fixed between the railroad's Minsk and Baranovich divisions on the Molodechno-Lida leg, including through the Bogdanov Station, for the railroad's Minsk Division. [Text] [Moscow GUDOK in Russian 4 Jan 87 p 2] 12659

RAILROAD BOUNDARY FIXED--A boundary has been fixed between the Belorussian and Southwestern railroads on the Novobelitskaya-Chernigov leg along the Lisichki siding inclusive, for the Belorussian Railroad. [Text] [Moscow GUDOK in Russian 4 Jan 87 p 2] 12659

MINGECHAUR RAILROAD ELECTRIFICATION--Mingechaur--A few days ago, a train travelled by electric traction along the leg which joins the Mingechaur Station with the city of the same name. Electrification has been completed on this 17.7-km section, which is on the Azerbaijan Main Line. The work was done by collectives of Azerbaydzhantransstroy [Azerbaijan Transport Construction Trust] and Glavtranselektromontazh [Main Administration for Transport Sector Electrical Equipment Installation]. [by V. Dimitrov] [Text] [Moscow GUDOK in Russian 7 Jan 87 p 1] 12659

NEW YEREVAN METRO STATION--Yerevan (TASS)--The first trains have begun coming into the Spandaryan Square Station of the Yerevan Metro. It connects the city center and other regions via underground transport with the republic's largest industrial enterprise, the main plant of the Armelektromash [Armenian Electrical Machinery] Production Association. The start-up of this station's operation marks the completion of construction of the metro's first phase. The blue trains now negotiate a distance of 11.2 km underground in a total of 17 minutes and 30 seconds. Yerevan is a rapidly-growing city. The metro will help solve the complex transport problem faced by the residents of Yerevan. In six years, it has carried over 130 million passengers. In laying the underground routes, the construction workers were faced with complicated hydrogeological conditions. However, the soil's hardness and the ground water have not slowed down the pace of the work. Specialists from Moscow, Tbilisi, Rostov-na-Donu and other cities are helping the Yerevan construction workers to overcome their difficulties. The length of the Yerevan subway will increase greatly during the current five-year plan period. This will make it possible to connect the city center with the new residential districts. [Text] [Moscow GUDOK in Russian 7 Jan 87 p 1] 12659

KRIVROY ROG LRT SYSTEM OPERATIONAL--Krivoy Rog, (TASS)--Residents of Krivoy Rog's largest rayon--the Saksaganskiy Rayon--have been given a new year's present: an 8-km high-speed streetcar line has been made operational here. It connects new residential districts with a number of industrial enterprises in the Krivoy Rog basin. The bus and trolley bus routes which have been laid out to the metro stations are convenient to passengers. The city sprawls over 100 km from north to south, thus necessitating the construction of a second phase of a high-speed mode of urban transport extending for 11.5 km. It will link Krivorozhstal [Krivoy Rog Steel] with the Novokrivorozhskiy and Yuzhniy mining and enrichment combines. Plans call for the construction of a third phase of the high-speed streetcar line. [Text] [Moscow GUDOK in Russian 7 Jan 87 p 4] 12659

ALMA-ATA METRO CONSTRUCTION PLANNING--Alma-Ata--USSR Gosplan has decided to accelerate preparations for construction of a metro in the capital of Kazakhstan. The tunnels here will be placed deep in the ground, which takes into account the complicated geological conditions and the high seismicity of this piedmont region. In order to lay the line for the trains from the Oktyabrskaya Station in the city center to the Alatau Station, which is located in one of the most densely populated residential districts, demolition has begun on buildings standing over construction areas, and service and utility line networks are being moved. Construction of the metro construction production base has been completed, and the Kazmramor Combine, whose output will be used to decorate the underground stations, is being renovated. Draft sketches of the station vestibules have been submitted for discussion. All of Alma-Ata's urban planning innovations are now being planned with consideration taken for the future of this main transport service line. The designers have outlined a plan for second and third lines, one of which will connect the city with a rest area near the famous Medeo Skating Rink. [by G. Isakov] [Text] [Moscow GUDOK in Russian 9 Jan 87 p 1] 12659

PRIMORSKAYA RAILROAD STATION OPEN--Most of the structures making up the Primorskaya Station, which will serve the mining enterprises in the Zaporozhye Oblast, are located in the Kakhovskoye Sea. This very original idea was the brainchild of specialists of Promtransproyekt [Scientific Research and Planning Institute for Industrial Transport] and occurred to them while carrying out surveying operations. This approach freed them from having to demolish residences in the village of Primorskoye, and will save over 40 hectares of agricultural land. A gulf has been formed by the railroad laid along a sandfill embankment reinforced with geotextile steel mesh and stone rubble. Two bridges allow fish free passage to their spawning grounds. The water in the gulf is at the level of the Kakhovskoye Sea, and this is of no little importance to the fish breeders. The station is more than 1.5 km in area and 300 m wide, and has a passenger pavilion and platforms, all technical services and foot bridges, all of which will be in the sea. This approach, which was suggested by specialists, has reduced the time needed for construction operations by more than a year, and has saved over R1 million in capital outlays. The Primorskaya Station has gone into operation. [by Yu. Kovalenko, RABOCHAYA GAZETA in Russian 16 Jan 87 p 2] 12659

VYSOTSK PORT RAIL CONSTRUCTION--Vyborg--Near Vyborg, and not far from the Vysotsk Station, construction has been completed on the berths for the new Vyborg River Port freight area. When it has been put into operation, future navigation will have the opportunity to transfer a major portion of its freight to the approach lines of the Vysotsk Station and the port's new freight area. Lumber and construction cargoes for the flood protection complex now being built will be sent by water from the port. The opening of the Port of Vyborg's new cargo area will also improve the working conditions at the Vyborg Station, will speed up the transfer of cargoes and the changing of part of them over from railroad to water transport, thereby increasing the carrying capacity of the Vyborg-Leningrad Line. [by V. Yurasov] [Text] [Moscow GUDOK in Russian 23 Jan 87 p 4] 12659

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